UNIVERSITY OF PENNSYLVANIA

THE WHARTON SCHOOL

MKTG 211002/3

Professor Irwin Fall 1997

Table of Contents

1. Case: G. Heileman Brewing Company (A): Power Failure at PowerMaster/G. Heileman Brewing Company (B): The "Nightline" Decision
2. Case: The Black & Decker Corporation Household Products Group: Brand Transition
3. Case: Reebok International Ltd.
4. Case: Population Services International (Abridged)
5. Case: Ad Council's AIDS Campaign (A)
6. Annals of Style: The CoolHunt

WHARTON REPROGRAPHICS

Harvard Business School

9-592-017
Rev. 12/11/91

G. Heileman Brewing Company (A): Power Failure at PowerMaster

In early June 1991, the G. Heileman Brewing Company announced plans to introduce Colt 45 PowerMaster, a higher alcohol version of its number two malt brand Colt 45. The brewer, which had received initial approval for its product's label from the Bureau of Alcohol, Tobacco, and Firearms (BATF), planned to launch PowerMaster in mid-July with a radio and billboard campaign from Lockhart and Pettus, a black-owned advertising agency in New York City. The slogan for the beer, which Heileman planned to market on the basis of superior taste, would be "Bold Not Harsh." Point-of-sale material would feature the brand name with a bold horse image surrounded by lightning. Colt 45 PowerMaster would retail for the same price as the lower-alcohol Colt 45 brand.

On June 21, 1991, however, Heileman received a letter from BATF which revoked its approval and which requested that the brewer remove the word "power" from the product's label. BATF said that it had made a mistake in approving the label in the first place and claimed that it now believed Heileman was violating a federal law--dating back to the 1930s--which forbade brewers from stating, or even implying, the alcohol content of their product in advertisements or on the label. The law was passed to discourage competition on the basis of alcohol content. "Power," the agency now realized, could be viewed as an implied reference to the malt product's higher alcohol content.

The United States Brewing Industry in 1990

Americans consumed 193.2 million barrels[1] of beer in 1990, or 23.4 gallons per capita for all Americans, regardless of age. That was seventeen times the amount of spirits or "hard" alcohol consumed, but only about one-half the per capita consumption of soft drinks.[2] Although there were over 200 registered breweries and micro-breweries in the United States in 1990, the market share of three companies--Anheuser-Busch, Miller, and Coors--represented over 75% of the total sales volume. The market share of the top five brewers, including Stroh and

---

This case was prepared from public sources by Research Associate Wendy S. Schille, under the supervision of Professor Stephen A. Greyser, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

Copyright © 1991 by the President and Fellows of Harvard College. To order copies, call (617) 495-6117 or write the Publishing Division, Harvard Business School, Boston, MA 02163. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of Harvard Business School.

1. A barrel is the equivalent of 31 gallons of beer.
2. Beverage Industry, "Per Caps: Some Changes Brewing?" February 1991, p. 21.

Heileman,represented over 90% of total sales volume.[3] See Exhibit 1 for a historical summary of industry activity.

The industry was subdivided into numerous segments, including Premium, Light, Popular, Superpremium, Imported, Malt Liquor, Dry, Ale, and Non-Alcoholic. The Premium beers, which included such brands as Budweiser, Miller High Life, and Coors, led the category with 38% market share. However, Premium beer's share of market had been declining for nearly a decade. Fierce price wars within the industry had lured many premium brand drinkers to both new brands and new brewers, particularly in the light and dry segments.[4]

The Light segment captured 31% market share and was considered by many experts to be the industry's most viable growth segment. Some 25 new domestic light beers had been introduced between 1980 and 1989, which meant that by 1990 virtually every successful domestic brand carried a "light" extension. In fact, of the four top-selling brands in 1990, three--Miller Lite, Coors Light, and Bud Light--were light beers.[5]

Popular brews, including such brands as Busch, Milwaukee's Best, and Old Milwaukee garnered 18% market share. Much of the success of the popular-priced segment depended on the current economic condition. Coors Brewing Company took advantage of the depressed state of the American economy by introducing two new products into the popular segment in 1989. Keystone and Keystone Light quickly captured 15% of the segment to the detriment of some lesser-known Popular brands from Stroh and Heileman.[6]

Superpremium beers (which included brands such as Michelob and Lowenbrau, as well as microbrewery brands), Imports, and Malt Liquors each had 3% market share. Dry beers held 2% market share, and Ales and Non-Alcoholic beers held 1% each.

The distinction among Popular, Premium, and Superpremium beers was a matter of pricing. Popular beers generally retailed for about a dollar less per six-pack than Premium beers, while Superpremium beers sold for up to four dollars more per six-pack than Premium brews.

The distinction between Dry beers and Ales was a matter of flavor. In a Dry beer, the sweetening sugars and bittering hops were exactly balanced in brewing so that the resultant product offered a clean, smooth flavor that lacked any aftertaste. Dry beers were meant to appeal to Americans' "soda pop" taste and were also expected to draw a strong female following, either from the non-user segment or away from Light beers. Ales, brewed with a special yeast, featured more body and a stronger flavor.

Light beers featured about one-third less alcohol and fewer calories than did regular beer, which had an alcohol content of 3.5%. Malt Liquors had an alcohol content of 4% or higher. (By way of comparison, wine typically had an alcohol content of 12%, while a "hard liquor" such as vodka had between 40% and 60% alcohol by weight.) See Exhibit 2 for a summary of changes in segment activity between 1980 and 1990.

---

3. Modern Brewery Age, "1990: The Year in Review," p. 8.
4. The Price Book, "The Beer Industry," by John J. Norton, July 1991, p. 3.
5. The Price Book, July 1991, p. 3.
6. The Price Book, July 1991, p. 3.

Although industry growth had been flat for a decade, beer sales in 1990 increased 1.9% over 1989 sales, driven mainly by new product introductions in the dry, bottled draft, and non-alcoholic segments. Bottled draft was marketed as a non-pasteurized, and hence "fresher," version of standard bottled beer.

Until the introduction of Miller Genuine Draft in 1986, the term "draft" was generally reserved for on-premise sales of beer dispensed directly from a keg. In 1990, Anheuser-Busch introduced Bud Dry Draft and Busch Light Draft, further line extensions under the Budweiser and Busch brand names, respectively.

In the non-alcoholic beer segment, Miller and Anheuser-Busch both entered in a big way during 1990. Miller put $14 million into media to support its brand Sharps, which quickly attained market leadership in the category, knocking out Kingsbury, Heileman's thirty-year-old brand which had dominated this previously dormant category. Anheuser-Busch spent $7 million on its brand O'Doul's, which also overtook Kingsbury by year-end. Case sales in the non-alcoholic segment nearly doubled from 9.6 million cases in 1989 to 18.1 million cases in 1990.

Anheuser-Busch spent $70 million in advertising and promotion in 1990 for its Bud Dry brand, which was rolled out nationally in that year and quickly became the number one beer in the dry segment. Anheuser-Busch's Michelob Dry, introduced in 1989, held the number two position in the category.

The Malt Liquor Category

Although malt liquors made up only three percent of the beer category's volume in 1990--six million barrels out of a total of 193 million barrels--the segment represented over $500 million in retail sales. Some sources estimated the segment's dollar size as closer to $1 billion.

The segment was dominated by Stroh Brewing Company's Schlitz Malt Liquor and Heileman's Colt 45, which collectively accounted for over 60% of malt liquor sales volume. While Anheuser-Busch and Miller Brewing each had malt liquor entries, branded King Cobra and Magnum, respectively, neither brewer controlled more than a few share points in the category. These products all contained 4.5% alcohol. The demographics of the malt liquor segment were overwhelmingly concentrated among black, inner-city, and lower-income consumers. Although blacks represented approximately 11% of the United States adult population in 1989, this group accounted for 66% of malt liquor consumption. By contrast, blacks also accounted for nearly one-third of low-alcohol beer drinkers. Black consumers were proportionately represented among beer drinkers in other categories, including regular (premium, superpremium, and popular) beers, ales, and imported brews.

One third of consumers in the malt liquor category had household incomes of less than $15,000 per year, while 75% had household incomes of less than $35,000. Of the total U.S. population in 1989, 56% had household incomes of less than $35,000 per year, while 20% had household incomes of less than $15,000.[7]

7. Mediamark Research Inc, "Beer, Wine and Liquor Report," Spring 1989.

Advertisements for the products typically featured virile black males and symbols of sexual prowess. Schlitz advertisements, for example, depicted a bull crashing through a brick wall, while Heileman had formerly employed actor Billy Dee Williams to pitch its Colt 45 amid snarling pit bulls, rearing stallions, and gyrating go-go dancers.[8]

In the past two years, a sub-segment within malt liquor had begun to grow rapidly. Companies such as Pabst Brewing and Stroh's had introduced so-called "up-strength" products, malts which contained as much as 5.5% alcohol. In 1990, the McKenzie River Corporation introduced a new brand called St. Ides which boasted a 5.9% alcohol content, making it the most potent malt on the market.

While Colt and Schlitz had experienced flat or declining sales for the past decade, the new entrants saw growth of 25% to 30% per year. Pabst's Olde English 800, the number three malt liquor brand, and the number one up-strength brand, increased sales volume by a third in 1990 to 1.2 million barrels. Schlitz's sales were 1.9 million barrels in 1990, while sales of Colt 45 reached 1.8 million barrels.[9] Billboard and point-of-sale material for Olde English 800 proclaimed "It's the Power," while Stroh's entry, Schlitz Red Bull, which had been introduced in only four states, featured the slogan "The Real Power." Point-of-sale material for St. Ides told consumers "It will blow you away." St. Ides also intermittently placed stickers on its malt containers which blazoned "No. 1 Strongest Malt."

Olde English point-of-purchase posters additionally made reference to the term "eight ball," in the phrase "8 Ball Anyone?" The accompanying illustration depicted two particularly buxom women in a pool hall. However, according to both law enforcement officials and inner city consumers, "8 Ball" was hardly meant to conjure up images of billiards. The term was street slang, law enforcement officials said, for buying an eighth of an ounce of drugs, typically crack or cocaine. "What Olde English is trying to put over," said one denizen of Harlem quoted in The Wall Street Journal, "is that [Olde English] is a cheaper high than drugs."[10]

According to Heileman's director of marketing Hugh Nelson: "We want[ed] to participate in the growth of the up-strength malt liquor category, which is where the consumer is going...We have done extensive research in the category to find out what the consumer wants to drink."[11]

Heileman planned to use billboard advertisements featuring a rough- and rugged-looking black model holding a bottle of Colt 45 PowerMaster, with the words "Bold Not Harsh" emblazoned across the board. Heileman had introduced Colt 45 Dry in 1990 with advertisements that featured a lightning bolt and the slogan "It's got more."

The G. Heileman Brewing Company

In 1990 G. Heileman was one of America's oldest and most venerable brewers, with a 132-year history of brewing fine regional beers. In the mid-eighties Heileman overtook Pabst and

8. The Wall Street Journal, "Malt Advertising That Touts Firepower Comes Under Attack by U.S. Officials," by Alix M. Freedman, July 1, 1991, p. B4.
9. Beverage Industry, "Brewers fight back, boost sales 1.9%," by Gary A. Hemphill, January 1991, p. 25.
10. The Wall Street Journal, July 1, 1991, p. B1.
11. The Wall Street Journal, "New Heileman Malt Attracts Fierce Industry and Social Criticism," by Alix M. Freedman, June 17, 1991, p. B1.

Coors to become the number four American brewer behind Anheuser-Busch, Miller, and Stroh. However, when the company was acquired by Australian entrepreneur Alan Bond in 1987, nearly $800 million in debt was piled onto the company's balance sheet, reducing Heileman's net worth from $1 billion to roughly $300 million. The company, which had slipped to the number five position among American brewers by 1990, had been struggling to keep its head above water ever since.[12] Heileman's brands included popular regional brews such as Old Style, Colt 45, Rainier, Carling Black Label, Henry Weinhard, and Red, White & Blue. In 1990, Heileman introduced an unprecedented five dry beer line extensions for brands including Old Style, Rainier, and Colt 45.

On January 24, 1991, Heileman, unable to meet its payment schedule, filed for protection from its creditors under Chapter 11 of the Federal Bankruptcy Code. While Heileman executives remained upbeat, predicting they would emerge from bankruptcy within six to eight months, beer industry analysts were not nearly as optimistic. Analysts cited Anheuser-Busch and Miller's huge advertising and promotion muscle vis-a-vis Heileman and the other brewing companies, as well as Heileman's lack of any national premium or light segment brands. Heileman dropped from 7.1% of the category in 1989 to 6.3% in 1990. The company had been steadily losing share since 1985.

PowerMaster and Community Reaction

Although PowerMaster was touted in its pre-launch publicity material as "an upscale product which will be marketed on the basis of its taste," news of its imminent introduction stirred up a storm of controversy among minority advocates and alcohol foes. Clergymen in New York City and Chicago threatened to whitewash over billboard advertisements if the product was launched as scheduled.

Protesters assailed the company for targeting its products at lower-income, inner-city blacks. They claimed that this population group suffered disproportionately from alcohol-related disease.

The Reverend Calvin Butts of the Abyssinian Baptist Church in New York's Harlem, quoted in The Wall Street Journal, stated: "This is obviously a company that has no sense of moral or social responsibility." He vowed to continue his campaign, begun the previous year, to whitewash liquor and tobacco billboards. According to George Hacker, director of the National Coalition to Prevent Impaired Driving, quoted in the same article, "The real irony of marketing PowerMaster to inner-city blacks is that this population is among the most lacking in power in this society."[13]

By the third week in June, twenty-one consumer and health groups had publicly called on Heileman to halt the marketing of PowerMaster and for BATF to limit the alcohol content of malt liquor. United States Surgeon General Antonia Novello called on Heileman as well, asking the company to change the name of PowerMaster and scrap its marketing campaign.[14]

12. The New York Times, "Heileman in Chapter 11, but Upbeat," by Eric N. Berg, January 25, 1991, p. D1.
13. The Wall Street Journal, June 17, 1991, p. B1.
14. Advertising Age, "Malt Liquor 'Power' Failure," by Steven W. Colford and Ira Teinowitz, July 1, 1991, p. 29.

Even one of the bigger brewers got into the act. In a June 20 letter, Anheuser-Busch Inc. unit president Patrick Stokes asked Heileman chairman Thomas J. Rattigan to reconsider the strategy for PowerMaster, which, according to Stokes, "appears to be intentionally marketed to emphasize high alcohol content."[15] For several years, Anheuser-Busch had been running a series of advertisements entitled "Know When To Say When," which advocated safe driving and moderation in alcohol consumption.

Heileman responded by citing research which it claimed showed that consumers would opt for PowerMaster not on the basis of its alcoholic content but because of its flavor. Heileman believed it had been and remained a responsible citizen in the community.[16]

After clergymen George Clements and Mike Pfleger of the Holy Angels Church in Chicago were arrested for trespassing during a protest demonstration in Heileman's lobby, ABC-TV's Nightline decided to devote a segment to the PowerMaster controversy. Invited guests included Heileman president Thomas Rattigan, Reverend Clements, United States Surgeon General Antonio Novello, and the president of the Association of National Advertisers, DeWitt F. Helm, Jr. (The ANA was the national trade association of company advertising management.) It could be expected that Clements would defend his right to protect the safety and welfare of his neighborhood which he felt was threatened by the introduction of such a potent malt liquor product. However, it was unclear what the tenor of the rest of the conversation would be, or indeed, whether Rattigan would even accept the invitation to appear.

Precedents in Other Product Categories

Heileman was not the first manufacturer to attract the ire of minority and health activists. Two recent occurrences demonstrated how powerful these groups could be when provoked.

R.J. Reynolds: A Cigarette Company Gets Burned

In December 1989, in a first for a cigarette maker, R.J. Reynolds, a division of RJR Nabisco Corporation, announced that it would begin test marketing, in Philadelphia, a cigarette called Uptown that was expected to appeal "most strongly" to black consumers.[17] The cigarette would feature a lower menthol content which research had shown black consumers favor. The marketing plan included advertising meant to associate the cigarette with glamorous, high fashion nightlife. The advertising copy would read: "Uptown. The place. The taste."[18]

Reynolds, like most cigarette companies, was faced with an increasingly shrinking customer base. It was generally acknowledged within the industry that the business had become a matter principally of stealing customers from other brands rather than attracting new smokers. As a result, new cigarette brands were targeted at increasingly narrow market segments. In 1990, for example, there were over 350 brands and styles of cigarettes on the market.[19]

---

15. The Wall Street Journal, July 1, 1991, p. B4.
16. The Wall Street Journal, June 17, 1991, p. B4.
17. The New York Times, "A Cigarette Campaign Under Fire," by Anthony Ramirez, January 12, 1990, p. D1.
18. The New York Times, "Health Chief Assails a Tobacco Producer for Aiming at Blacks," by Philip J. Hilts, January 19, 1990, p. A1.
19. The New York Times, January 12, 1990, p. D4.

In Philadelphia, thirty community organizations, including religious and minority groups, quickly organized to protest the cigarette's introduction. The planned introduction caused controversy in the black publishing community over whether to accept Uptown advertisements in black-run newspapers and magazines. Both types of publications depend heavily on advertising revenue from cigarette companies.[20]

By mid-January Secretary of Health and Human Services, Dr. Louis W. Sullivan had joined the opposition to Uptown. In a January 18th speech at the University of Pennsylvania, located in Philadelphia, Sullivan denounced R.J. Reynold's "slick and sinister advertising." He also expressed outrage at the company for "deliberately and cynically test-marketing a cigarette aimed at blacks," and for "promoting a culture of cancer."[21]

Aftermath Faced with such intense opposition, Reynolds announced on January 19 that they would cancel plans to launch Uptown. The company claimed the scheduled test market could no longer be considered reliable because of the "unfair and biased attention the brand had received." There was bitterness within the company over the decision. Reynold's senior vice president of public relations, cited in The New York Times, said: "There's a feeling here that we were cheated on this one...Maybe, in retrospect, we would have been better off not saying we were marketing to blacks. But those were the smokers we were going after, so why shouldn't we be honest about it?"[22]

Six months later, in June 1990, Reynolds introduced two new varieties of its leading Salem brand, Salem Gold and Salem Box. Although neither brand was conspicuously targeted to blacks, the cigarettes were similar in concept to the ill-fated Uptown brand.[23]

Canandaigua Wine Company: Trouble Uncorked

In September 1990, activist groups, including the Center for Science in the Public Interest and the National Council on Alcoholism and Drug Dependence began criticizing the Canandaigua Wine Company for marketing Cisco, a high-alcohol "fortified" wine which the activist groups claimed was deceptively packaged to resemble a much lower-alcohol wine cooler. Fortified wines are also known as Dessert wines.

Cisco came in a short-necked glass bottle, with a full-wrap pastel-colored shoulder label and a twist cap similar to traditional wine cooler packaging, and was available in a variety of fruity flavors. For these reasons, protesters complained that it was easy for consumers, particularly young consumers, to confuse the 20% alcohol Cisco with a wine cooler which typically has 5% or less alcohol by volume. Critics charged that the pastel-colored label was most appealing to young (often under-aged) consumers. Cisco, which was often sold side-by-side with wine coolers in a store's refrigerated section, featured point-of-purchase material which proclaimed Cisco "Takes You By Surprise!" The Cisco brand was purchased by Canandaigua in 1989 from a small

20. The New York Times, January 12, 1990, p. D4.
21. The New York Times, January 19, 1990, p. A1.
22. The New York Times, "Reynolds, After Protests, Cancels Cigarette Aimed at Black Smokers," by Anthony Ramirez, January 20, 1990, p. A1.
23. Advertising Age, "RJR's new smokes look Uptown," by Judann Dagnol, June 25, 1990, p. 6.

western winery.[24] [25] Other fortified products were typically sold in dark bottles and were often kept either behind the counter or on the back shelves at liquor stores.[26]

Canandaigua officials countered the criticism by pointing out that Cisco had always been clearly labeled "Alcohol 20% By Volume." In addition, since Cisco was only sold in single bottles rather than the four-packs favored by wine coolers and could cost up to 50% more than a wine cooler, the company felt it was unlikely that consumers would be confused. According to company officials, all dessert wines have the same 20% alcohol content. Canandaigua president Richard Sands said the company had received no complaints from consumers claiming they had mistaken Cisco for a wine cooler.[27]

Meanwhile, the Bureau of Alcohol, Tobacco, and Firearms, which said it had received complaints, began a reexamination of Cisco's packaging. In January, Surgeon General Antonia Novello, called a press conference to express her concern that consumers, particularly teenagers, were being endangered by high-alcohol drinks which looked like mild wine coolers but were as potent as five shots of vodka. Novello claimed that youths had begun calling Cisco "liquid crack" because of its strong effect, and added that [Cisco is] an incredibly potent, potentially lethal alcoholic beverage."[28] Earlier in the month ten Washington, D.C. area teenagers suffered acute ethanol poisoning after consuming an undisclosed amount of Cisco wine, which the youths claimed they believed to be a wine cooler. Both NBC and local media had picked up the story, which led to charges that Cisco was "poison" and could "kill your child."

On January 9, 1991, Southland Corporation announced its more than 3,000 company-owned 7-Eleven stores would remove Cisco from store shelves in an effort to protect customers. Although the corporation had not received any complaints about Cisco, a spokesperson said Southland "shares concerns of consumer groups over the marketing and packaging of the product." A letter sent to over 3,000 7-Eleven franchisees strongly urged these stores to stop selling Cisco as well.[29]

Although Canandaigua chairman Marvin Sands claimed the real problem was underage drinking and alcohol abuse, and not Cisco, he said company officials would meet with Dr. Novello on February 4, 1991 to discuss the issues.

Aftermath On February 5, 1991, shortly after meeting with Surgeon General Novello, Canandaigua company officials unveiled a new bottle and label design for Cisco. Cisco's new packaging would include a dark green, long-neck bottle with a front panel label and a neck band. The label had a black background with lettering that was color-coded by flavor. The company increased the size of the lettering on the content statement ("Alcohol 20% By Volume") to the maximum allowed by federal regulations. In addition, the words "This Is Not a Wine Cooler" were placed in two locations on the label and the statement "This Container Serves 4 Persons

24. The Wall Street Journal, "Groups Seek to Force Canandaigua To Halt Sales of High-Alcohol Wine," by Thomas R. King, September 12, 1990, p. B6.
25. Beverage Industry, "Canandaigua gives Cisco new look after complaints," by Tracey L. Walker, March 1991, p. 1.
26. The New York Times, "Surgeon General Calls Potent Wine a Threat," January 10, 1991, p. D21.
27. Beverage Industry, March 1991, p. 1.
28. The New York Times, January 10, 1991, p. D21.
29. The Wall Street Journal, "7-Eleven Stores to Remove Their Cisco Wine Supplies," January 9, 1991, p. B3.

And Is Best Served Over Ice," was prominently displayed. Canandaigua also asked distributors and retailers to remove the "Takes You By Surprise!" point-of-purchase posters.

The Reaction of BATF to PowerMaster

The Bureau of Alcohol, Tobacco, and Firearms approved over eighty thousand labels for beer, wine, and distilled spirit products in 1990. In some instances, products were approved on the basis of the label alone, without regard to how the product would be marketed. If it came to the agency's attention later that a particular product was being marketed in violation of federal regulations, an investigation would be launched.

In the case of PowerMaster, a BATF spokesperson cited in Advertising Age claimed, "We got to review the [PowerMaster] labels in isolation and did not see them in the context of a full advertising campaign and its presentation to the public...It was only [in campaign context] that we could see that the company was going with the alcohol strength advertising." According to the spokesperson, the targeting of black or inner-city consumers was "not our concern."[30] When asked why wine and liquor did not fall under the same regulations as brewed beverages, another agency spokesperson said: "It's the way the world was in those days. I'm told Congress was not as concerned about wine, certainly, nor about distilled spirits, because everyone recognized their strength. But they didn't want brewers competing on the basis of alcoholic strength."[31]

In the wake of their confrontation with Heileman, BATF also put Pabst, Stroh, and McKenzie malt advertising under review.

BATF claimed that because malt products were chiefly marketed via inner-city billboards and point-of-sale posters, advertising abuses were difficult to detect. In addition, BATF could enforce sanctions against brewers only by bringing criminal action through the Justice Department, which was said not to consider such action a high priority.

Tom Pirko, an industry analyst cited in The Wall Street Journal added, "The [malt liquor] products are so heavily identified with the [power] claims that these products *are* the claims...You take away the claims and the category becomes almost generic."[32]

Aftermath

In the face of overwhelming protest from community and health activists, as well as regulatory pressure, Heileman quietly announced in early July that it was canceling plans to introduce its Colt 45 PowerMaster brand. The company, while denying any wrong-doing, said it could not afford the expense of a court fight over the product's labeling. Because of the earlier approval of PowerMaster's label, BATF agreed that Heileman distributors would be allowed to sell what PowerMaster they had in stock over the next four months. However, during that time, Heileman would not be able to advertise the product.

---

30. Advertising Age, "Fighting the Power: Heileman's new malt liquor draws government ire," by Ira Teinowitz, June 24, 1991, p. 61.
31. Chicago Tribune, "Brewer to drop controversial malt liquor," by Janet Cawley, July 4, 1991, sec..1, p. 3.
32. The Wall Street Journal, July 1, 1991, p. B4.

Exhibit 1 Selected Information on Production, by Brewer and by Brand (Millions of Barrels)

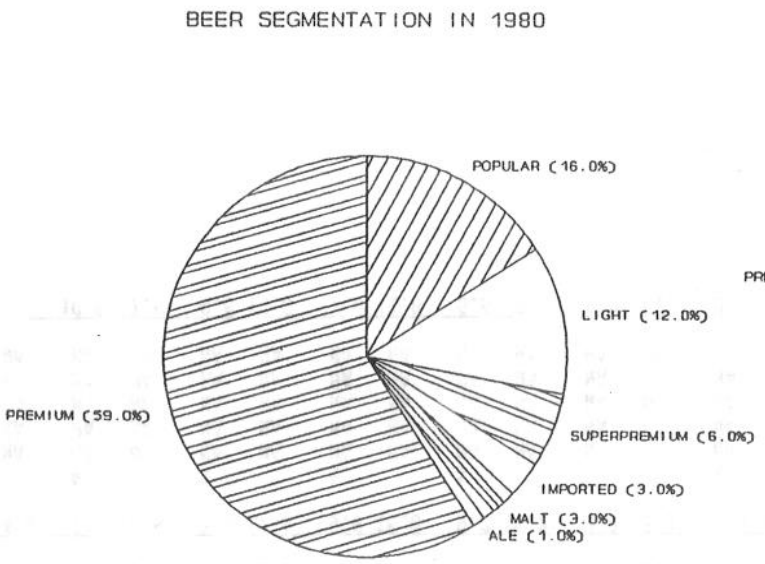
	1981	SOM	1982	SOM	1983	SOM	1984	SOM	1985	SOM	1986	SOM	1987	SOM	1988	SOM	1989	SOM	1990E	SOM
ANHEUSER-BUSCH		%		%		%		%		%		%		%		%		%		%
Budweiser	39.1	21.5	40.6	22.2	42.7	23.2	44.4	24.3	45.4	24.8	48.0	25.6	49.4	26.4	50.6	27.0	50.5	26.9	49.2	25.7
Bud Light	---	---	3.3	1.8	3.7	2.0	4.0	2.2	5.7	3.1	6.8	3.6	8.2	4.4	9.5	5.1	10.5	5.6	11.5	6.0
Busch	3.1	1.7	3.4	1.9	3.4	1.8	4.4	2.4	6.0	3.3	7.3	3.9	8.2	4.4	8.9	4.7	9.2	4.9	9.5	5.0
Michelob	7.7	4.2	7.4	4.1	7.0	3.8	6.7	3.7	6.0	3.3	5.5	2.9	5.2	2.7	4.7	2.5	4.0	2.1	3.5	1.8
A-B Natural Light	1.9	1.1	1.5	0.8	1.0	0.6	1.2	0.6	1.2	0.7	1.6	0.9	1.9	1.0	2.0	1.1	2.6	1.4	3.3	1.7
Bud Dry	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	3.0	1.6
Michelob Light	2.7	1.5	2.9	1.6	2.7	1.5	2.8	1.5	2.8	1.5	2.6	1.4	2.7	1.4	2.5	1.3	2.1	1.1	2.0	1.0
Busch Light	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	1.9	1.0
Michelob Dry	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	1.5	0.8	1.2	0.6
Mich. Classic Dark	---	---	---	---	---	---	---	---	0.4	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	---
LA	---	---	---	---	---	---	0.4	0.2	0.3	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1	---	---	---
Others	---	---	---	---	---	---	0.1	0.1	0.2	---	0.2	0.1	0.2	0.1	0.1	---	0.1	0.1	0.3	0.2
TOTAL	54.5	30.0	59.1	32.4	60.5	32.9	64.0	35.0	68.0	37.1	72.3	38.6	76.1	40.6	78.5	41.9	80.7	43.0	85.5	44.6
MILLER		%		%		%		%		%		%		%		%		%		%
Miller Lite	16.3	9.0	17.2	9.4	17.9	9.8	18.0	9.9	18.5	10.1	18.9	10.1	19.3	10.3	19.5	10.4	20.0	10.6	20.3	10.6
Milwaukee's Best	---	---	---	---	---	---	1.9	1.0	3.0	1.6	4.3	2.3	5.8	3.1	6.6	3.5	7.3	3.9	8.0	4.2
Miller High Life	22.3	12.3	20.4	11.2	17.0	9.2	14.3	7.8	12.2	6.6	10.8	5.8	8.9	4.8	8.1	4.3	7.6	4.0	6.8	3.5
Genuine Draft	---	---	---	---	---	---	---	---	---	---	1.0	0.5	2.3	1.3	3.7	2.0	4.6	2.4	5.7	3.0
Meister Brau	---	---	---	---	0.6	0.3	1.9	1.0	2.0	1.1	2.0	1.1	1.2	0.6	1.1	0.6	1.1	0.6	1.1	0.6
Lowenbrau	1.5	0.8	1.4	0.8	1.5	0.8	1.2	0.7	1.2	0.7	1.3	0.7	1.2	0.6	1.0	0.5	0.9	0.5	0.9	0.5
Others	0.2	0.1	0.3	0.1	0.5	0.3	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.1	0.3	0.2	0.4	0.2	0.7	0.3
TOTAL	40.3	22.2	39.3	21.5	37.5	20.4	37.5	20.5	37.1	20.2	38.5	20.5	38.9	20.8	40.3	21.5	41.9	22.2	43.5	22.7
COORS		%		%		%		%		%		%		%		%		%		%
Coors Light	3.1	1.7	3.2	1.7	3.8	2.1	4.7	2.6	6.0	3.2	7.1	3.8	7.9	4.2	8.7	4.7	10.5	5.6	11.7	6.1
Coors	10.1	5.5	8.5	4.7	9.7	5.3	8.4	4.6	8.6	4.7	8.0	4.2	7.3	3.9	6.5	3.5	5.1	2.7	4.2	2.2
Keystone	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	1.1	0.6	2.2	1.1
Coors Extra Gold	---	---	---	---	---	---	---	---	---	---	---	---	0.3	0.2	1.0	0.5	0.9	0.5	0.7	0.4
Others	0.1	0.1	0.2	0.1	0.2	0.1	---	---	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.2	0.1
TOTAL	13.3	7.3	11.9	6.5	13.7	7.5	13.1	7.2	14.7	8.0	15.2	8.1	15.7	8.4	16.5	8.8	17.7	9.5	19.0	9.9
STROH		%		%		%		%		%		%		%		%		%		%
Old Milwaukee	5.1	2.8	6.0	3.3	7.6	4.1	7.1	3.9	7.5	4.1	7.5	4.0	7.2	3.8	7.2	3.8	7.0	3.7	6.6	3.4
Schaefer	3.0	1.7	2.5	1.4	3.0	1.6	4.0	2.2	4.1	2.2	4.3	2.3	4.1	2.2	3.9	2.1	3.5	1.9	3.0	1.6
Schlitz Malt	2.5	1.4	2.6	1.4	2.6	1.4	2.1	1.1	2.0	1.1	2.0	1.1	2.0	1.0	1.9	1.0	1.8	1.0	1.9	1.0
Old Milwaukee Light	---	---	0.8	0.4	1.0	0.6	1.5	0.8	1.8	1.0	1.9	1.0	1.9	1.0	1.9	1.0	2.0	1.1	1.8	0.9
Stroh	5.5	3.0	5.4	3.0	5.5	3.0	5.3	2.9	4.9	2.7	4.0	2.1	3.6	1.9	3.1	1.7	2.0	1.1	1.5	0.8
Schlitz	5.7	3.1	4.1	2.2	3.2	1.8	1.7	0.9	1.4	0.7	1.0	0.5	0.8	0.4	0.7	0.3	0.7	0.4	0.7	0.4
Stroh Light	0.6	0.3	0.6	0.3	0.7	0.4	0.8	0.4	0.7	0.4	0.7	0.4	0.7	0.4	0.8	0.4	0.7	0.4	0.5	0.3
Piels	---	---	---	---	---	---	---	---	---	---	0.5	0.3	0.5	0.3	0.5	0.3	0.4	0.2	0.3	0.2
Goebel	---	---	0.3	0.2	0.3	0.2	0.6	0.3	0.4	0.2	0.4	0.2	0.3	0.2	0.2	0.1	0.1	---	0.1	---
White Mountain	---	---	---	---	---	---	---	---	---	---	0.4	0.2	0.3	0.2	0.3	0.2	0.2	0.1	---	---
Schlitz Light	0.3	0.2	0.4	0.2	0.3	0.2	0.1	0.1	0.1	0.1	---	---	---	---	---	---	---	---	---	---
Signature	---	---	---	---	---	---	---	---	---	---	0.1	0.1	---	---	---	---	---	---	---	---
Erlanger	0.5	0.3	0.1	0.1	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Others	0.2	0.1	0.1	0.1	0.1	0.1	0.7	0.4	0.5	0.3	---	---	0.2	0.1	---	---	---	---	---	---
TOTAL	23.4	12.9	22.9	12.6	24.3	13.2	23.9	13.1	23.4	12.8	22.8	12.2	21.6	11.5	20.5	10.9	18.4	9.9	16.4	8.6

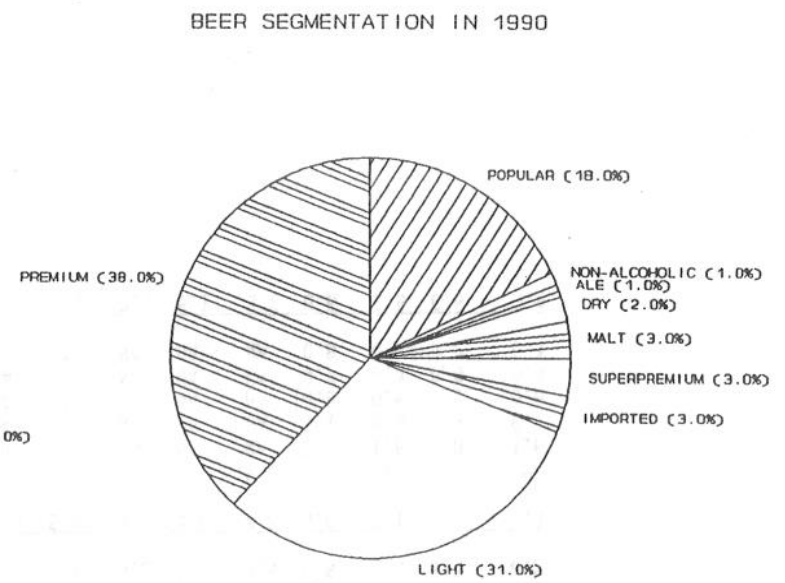
Exhibit 1 Production by Brewer and Brand, Cont.

	1981	SOM %	1982	SOM %	1983	SOM %	1984	SOM %	1985	SOM %	1986	SOM %	1987	SOM %	1988	SOM %	1989	SOM %	1990E	SOM %
HEILEMAN																				
Old Style, Light & Export	5.4	3.0	5.6	3.1	5.8	3.1	5.0	2.7	4.9	2.7	5.0	2.7	4.9	2.6	4.6	2.5	4.2	2.2	4.1	2.2
Colt 45	1.2	0.7	1.5	0.8	1.6	0.9	1.6	0.9	1.8	1.0	2.0	1.1	2.0	1.0	2.0	1.1	1.8	1.0	1.8	0.9
Joseph Schmidt & Rainier	1.7	0.9	2.0	1.1	2.3	1.3	2.4	1.3	2.2	1.2	2.0	1.1	1.8	1.0	1.8	1.0	1.8	1.0	1.7	0.9
Carling Black Label & Light	1.0	0.5	1.6	0.9	1.9	1.0	2.1	1.2	2.2	1.2	2.3	1.2	2.3	1.2	2.1	1.1	1.8	1.0	1.6	0.8
Carl Schmidt	---	---	---	---	---	---	---	---	---	---	---	---	---	---	1.0	0.5	0.7	0.4	0.6	0.3
Mickeys	0.4	0.2	0.5	0.3	0.5	0.3	0.4	0.2	0.4	0.2	0.4	0.2	0.3	0.2	0.4	0.2	0.5	0.3	0.5	0.3
Blatz & Light	1.5	0.8	1.7	0.9	1.8	1.0	1.6	0.9	1.3	0.7	1.2	0.6	1.0	0.5	0.8	0.4	0.6	0.3	0.4	0.2
Henry Weinhard	---	---	---	---	0.6	0.3	0.8	0.4	0.7	0.4	0.6	0.3	0.5	0.3	0.3	0.2	0.4	0.2	0.4	0.2
Lone Star	---	---	---	---	---	---	---	---	---	---	0.4	0.2	0.4	0.2	0.4	0.2	0.4	0.2	0.3	0.2
Red, White & Blue	---	---	---	---	0.9	0.5	1.1	0.6	0.9	0.5	0.8	0.4	0.7	0.4	0.5	0.2	0.3	0.2	0.2	0.1
Others	2.8	1.6	1.6	0.8	2.2	1.1	1.8	1.0	1.8	1.0	1.4	0.8	1.1	0.6	0.7	0.4	0.5	0.3	0.4	0.2
TOTAL	14.0	7.7	14.5	7.9	17.5	9.5	16.8	9.2	16.2	8.9	16.1	8.6	15.0	8.0	14.6	7.8	13.0	7.1	12.0	6.3
PABST		%		%		%		%		%		%		%		%		%		%
Pabst	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	3.1	1.6	3.0	1.6
Hamms & Light	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	1.1	0.6	1.4	0.7
Olde English	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.9	0.5	1.2	0.6
Olympia	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.7	0.4	0.8	0.4
Others	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.8	0.4	0.2	0.1
TOTAL	19.2	10.6	17.5	9.6	12.8	7.0	11.8	6.5	9.1	5.0	6.7	3.6	6.5	3.5	6.1	3.2	6.6	3.5	6.6	3.4

Source: Beverage Industry, "Beer '91 Exclusive," by Gary A. Hemphill, January 1991, p. 24.

Exhibit 2 Market Breakdown by Product Segment: 1980 and 1990





Source: New York Times, July 21, 1991, p. D4.

Harvard Business School

9-592-018

November 5, 1991

G. Heileman Brewing Company (B): The "Nightline" Decision

In early June 1991, the G. Heileman Brewing Company announced its intention to introduce a higher alcohol line extension to its popular Colt 45 malt liquor. However, the product, which was to be called Colt 45 PowerMaster, stirred up a storm of protest and controversy for which company executives admitted they were unprepared. In fact, Heileman had hardly announced launch plans before anti-alcohol groups were assailing the planned product as socially irresponsible. In New York City, the Reverend Calvin Butts threatened a new round of tobacco and alcohol billboard whitewashing if PowerMaster were carried in local stores. In 1990, Reverend Butts' grass-roots white-washing campaign had attracted significant press coverage and had turned him into something of a folk hero among inner-city blacks.[1]

A more severe blow came June 21, in the form of a letter from the Bureau of Alcohol, Tobacco, and Firearms (BATF), the regulatory body for all alcoholic beverages sold in the United States. The BATF had sanctioned the name PowerMaster in May, but was now revoking the product's approval because it feared the word "power" could be interpreted as a reference to PowerMaster's high alcohol content. Federal law prohibited brewers from marketing their products on the basis of alcoholic strength. To officials at Heileman, the move seemed to be motivated more by the pressure minority activists and alcohol foes were bringing to bear than by a legitimate change of opinion over the interpretation of the PowerMaster brand name. If Heileman executives were forced to scrap the PowerMaster name, the product's introduction could be delayed for months, or possibly aborted altogether. In the malt liquor category, a distinctive name was considered essential for effective marketing. Without one to attract attention and connote strength, a malt liquor product had little chance of succeeding in the highly competitive category. Heileman officials were scheduled to meet with BATF officials in Washington, D.C. during the week of June 24 to discuss the agency's request.

This case was prepared from public sources by Research Associate Wendy S. Schille, under the supervision of Professor Stephen A. Greyser, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

Copyright © 1991 by the President and Fellows of Harvard College. To order copies, call (617) 495-6117 or write the Publishing Division, Harvard Business School, Boston, MA 02163. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of Harvard Business School.

---

1. The Wall Street Journal, "Potent, New Heileman Malt is Brewing Fierce Industry and Social Criticism," by Alix M. Freedman, June 17, 1991, p. B1.

In the days that followed, events progressed rapidly. Heileman officials received word that boycotts of Heileman products were being organized in six cities, including Chicago, New York, Philadelphia, Detroit, New Orleans, and Oakland, by two pastors from inner-Chicago. One of the clerics, Reverend Michael Pfleger of St. Sabina Church was quoted as saying "I think this is the beer industry's answer to Uptown. [Uptown was a planned new cigarette brand which would be targeted to blacks. The product was discontinued after protests from the black community.] When you're targeting African-Americans with the top two killers in America [cigarettes and alcohol], it is no longer good business. It is genocide."[2]

That response was not universal. A beverage industry analyst quoted in Advertising Age predicted that the PowerMaster controversy would not have "any lasting political repercussions." While PowerMaster was "a big deal in the anti-alcohol world," according to the analyst, "it's not a big deal elsewhere." Some of Heileman's distributors were not overly concerned, either. "The whole thing has been blown way out of proportion," according to the director of sales for Southwest Distributing, Chicago, a Heileman Distributor. "The malt liquor market is a very small segment, 3% of the total beer industry, and this is a very small part of a very small segment."[3] Heileman officials declined to comment on the controversy except to issue a written statement through its legal department which read, "PowerMaster is an upscale malt beverage which will be marketed on the basis of its superior, smooth taste, not alcohol content."[4]

On Monday, June 24, a coalition of 21 organizations--ranging from the National Council on Alcoholism and Drug Dependence to the National Alliance of Black School Educators--submitted a proposal asking the government to restrict the alcohol content of malt liquors to 5 percent. They also sought the government's prohibition of the use of brand names connoting alcoholic strength, such as Colt 45, Magnum, or King Cobra.[5]

On Tuesday, June 25, U.S. Surgeon General Antonio Novello publicly denounced Heileman's plan to introduce PowerMaster, and called on the company to change the product's name and drop marketing plans that appeared to target minority consumers. Novello called the current marketing plan "socially irresponsible," adding: "It's true this is a legal product, but the problem is that [Heileman is] targeting some populations that are already very prone [to health risks]....In a subconscious way, I think they think these people are expendable."[6]

Wednesday morning, Rev. Pfleger, and his colleague Rev. George Clements, pastor of the Holy Angels Church of Chicago, flew from Chicago to La Crosse, Wisconsin, determined to "camp out" at the Heileman headquarters until company executives agreed to meet with them. Pfleger claimed he had been trying to contact the company for days, but that Heileman officials would not return his calls. When the two arrived at Heileman's headquarters, their request to meet with company officials was denied. The clerics refused several requests from security personnel to leave the premises and were subsequently arrested by local police officials, who handcuffed both men before leading them off the premises. The incident was captured on film

2. Los Angeles Times, "Brewer Faces Boycott Over Marketing of Potent Malt Liquor," by Bruce Horovitz, June 25, 1991, p. D4.
3. Advertising Age, "Fighting the 'power': Heileman's new malt liquor draws government's ire," by Ira Teinowitz, June 24, 1991, p. 61.
4. The New York Times, "U.S. Is Challenging New Heileman Label," by Anthony Ramirez, June 21, 1991, p. D15.
5. Washington Post, "Surgeon General Hits New Malt Liquor's Name, Ads," by Paul Farhi, June 26, 1991, p. A1.
6. *Ibid.*

by local television crews. After being arraigned in municipal court on charges of trespassing, Clements and Pfleger met with La Crosse mayor Patrick Zielke in an attempt to get local officials to intercede with Heileman. Zielke contacted Heileman President Thomas Rattigan that afternoon, and a meeting was arranged between Rattigan and the clergymen for Monday July 1.

Wednesday afternoon (June 26), ABC-TV's Nightline staff got word of the incident, and decided to devote the majority of that evening's segment to the PowerMaster controversy. Rev. Clements was asked to appear, as was Surgeon General Novello. Thomas Rattigan's office was also contacted, with an invitation for Rattigan to appear and present his company's side of the story. The show would air live at 11:30 that evening. Rattigan had only an hour or two to decide whether he would accept the invitation. If he did accept, Rattigan would have to decide what he should be prepared to say and what questions he might be expected to respond to.

2
WHARTON REPROGRAPHICS

Harvard Business School

9-588-015

Rev. 10/6/92

The Black & Decker Corporation Household Products Group: Brand Transition

In April 1984, Black & Decker Corp. (B&D) acquired the Housewares Division of General Electric Co. (GE), combining the GE small-appliance product line with its own household product line to form the Household Products Group. The terms of the acquisition set the stage for a unique marketing challenge. B&D was permitted to manufacture and market appliances carrying the GE name, but only until April 1987. During the intervening three years, B&D would have to replace the GE name on all the acquired models with its own brand name.

Immediately after the acquisition, Kenneth Homa, B&D's vice president of marketing, was assigned responsibility for the brand transition. Homa had to design a marketing program to transfer the B&D name to the GE small-appliance lines without losing market share. Specifically, he had to determine the timing for the transition of the various GE product lines and the roles that advertising and promotion should play in the transition. Homa had been asked to have the proposal for the brand transition completed by June 1—only a week away. Before he began to formulate the proposal, Homa reviewed the acquisition and the challenges it presented.

The Acquisition

With 1983 sales of $1,167 million, B&D was the leading worldwide manufacturer of professional and consumer hand-held power tools. Over 100 products were produced in 21 factories around the world. By the late 1970s, B&D was confronting two important problems—a slower growth rate for the power tool market worldwide together with increasing foreign competition. At the same time, management realized that the American housewares market presented a significant opportunity. Capitalizing on its expertise in small-motor production[1] and cordless appliance technology, B&D introduced the Dustbuster® in 1979, a rechargeable hand-held vacuum cleaner. The Dustbuster Vac "moved B&D from the garage into the house"; 60% of Dustbuster purchases were

---

Research Assistant Cynthia Bates prepared this case under the supervision of Professor John A. Quelch as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. Professor Minette E. Drumwright prepared this version of the case. Proprietary data have been disguised.

Copyright © 1987 by the President and Fellows of Harvard College. To order copies, call (617) 495-6117 or write the Publishing Division, Harvard Business School, Boston, MA 02163. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of Harvard Business School.

1. In 1983, B&D produced 20 million small motors, four times as many as its closest competitor.

made by women. The Dustbuster's success prompted the launch of two other rechargeable products, the Spotliter™ rechargeable flashlight and the Scrub Brusher™ cordless scrubber. In 1983, these three products generated revenues of over $100 million, almost one-third of B&D's U.S. consumer product sales. Pretax profit margins on these products were estimated at a healthy 10%. Sales of the three products were expected to increase by 30% annually between 1983 and 1985.

Consumer demand for these three innovative products led B&D executives to conclude that further penetration of the housewares market could generate substantial sales and profits for the company. They resolved to develop a family of products that could address consumer needs "everywhere in the house, not just in the basement or garage." However, a significant impediment to growth was B&D's limited access to housewares buyers in the major retail chains. B&D's three housewares products were sold along with B&D's power tools through hardware distributors to hardware buyers and were typically stocked in the hardware sections of retail stores. B&D sought to gain access to housewares buyers through the acquisition of a competitor, the GE Housewares Division.

With 1983 sales of $500 million (GE's total sales in 1983 were $26.79 billion), GE's Housewares Division was the largest competitor in the U.S. electric housewares or small-appliance market. (GE sales of small appliances outside the United States were limited. By contrast, 40% of B&D's total sales were made in Europe.) GE sold almost 150 models of products in 14 categories covering food preparation, ovening, garment care, personal care, and home security. (The categories were food processors, portable mixers, electric knives, can openers, drip coffee makers, toaster ovens, toasters, electric skillets, grills and griddles, irons, hair dryers, curling brushes/irons, scales, and security alarms.) In all the appliance categories in which it competed—except food processors, hair care products, and toasters—GE ranked first or second in market share. GE's success largely resulted from continuing attention to product innovation. For example, the GE product line included the recently introduced Spacemaker™ series of premium-priced under-the-cabinet kitchen appliances. The division's 150-person sales force called on housewares buyers in all channels of distribution.

Discussions between GE and B&D culminated in an agreement, announced in February 1984, whereby B&D would acquire the GE Housewares Division for $300 million, comprising $110 million in cash, a $32 million three-year note, and 6% of B&D stock. In return, B&D acquired seven plants in the United States, Mexico, Brazil, and Singapore; five distribution centers; sixteen service centers; and the Housewares Division's sales and management team. GE retained rights to the accounts receivable at the time of the transfer. Finally, B&D negotiated the right to continue to use the GE name on appliances in the Housewares Division product line for three years from the signing of the acquisition papers in April 1984. However, B&D could not use the GE name on any new appliances introduced after the acquisition. At a stroke, the acquisition transformed B&D from a specialist housewares manufacturer into the dominant full-line player in the housewares market.

The Housewares Market

Product Lines and Pricing

After acquiring the GE division, B&D participated in five more broad housewares categories with aggregate industry sales of $1.4 billion divided as follows:

Food preparation	$275 million
Beverage makers	$325 million
Ovening	$250 million
Garment care	$200 million
Personal care	$350 million

The housewares market was mature and fragmented. Industry growth depended primarily on the rate of household formation and the pace of new product development. About one-tenth of all small appliances in use were replaced each year. The timing of replacement purchases could be accelerated if manufacturers could persuade consumers to trade up to more highly featured, higher-priced, higher-margin models of a particular appliance.

The new B&D offered one of the broadest lines of any manufacturer, competing in 17 product groups. Market performance data for the principal product lines are summarized in Exhibit 1. In all these groups, B&D marketed multiple models that covered almost all price points and product feature configurations. For example, the B&D line included 18 different irons with suggested retail prices from $14.76 to $25.89. The range included promotional, step-up, and premium models. Proctor-Silex, B&D's closest competitor in this category, offered 12 models.

B&D's models were priced competitively within each price/feature segment but, overall, B&D's share tended to be stronger in the medium and upper rather than the lower price ranges. In the fall of 1984, the average retail price of a B&D small appliance was 16% higher than the average retail price of its competitors' appliances. The B&D retail price premium varied across product categories as follows:

Food preparation	8%	Cleaning (Dustbuster, Scrub Brusher)	10%
Ovening	26	Lighting (Spotliter)	6
Garment care	5	Smoke alarms	9
Personal care	16		

Some B&D executives were concerned that the price premium in certain categories left B&D vulnerable to lower-priced competition. They advocated price decreases on some models for 1985. Other executives, noting that B&D/GE housewares prices had increased on average by only 10% between 1980 and 1984, believed that price increases were necessary to maintain margins. (The contribution margin on B&D small appliances, after variable costs, averaged 40%. The percentage margin was higher on premium models such as the Spacemaker products.) However, all agreed that, despite B&D's share leadership position, competitive brands did not appear to set their prices in relation to B&D's prices.

B&D's price premium in the food preparation category was largely due to the premium-priced Spacemaker line of under-the-cabinet kitchen appliances. Launched in 1982 with a can opener, the Spacemaker line was expanded in 1983 to include a toaster oven, drip coffee maker, mixer, and electric knife. The Spacemaker line attracted some first-time purchasers into these five categories but, more important, persuaded current owners to trade up. Although the Spacemaker line at first reversed GE's share erosion in these categories, lower-priced imitations soon appeared. GE's standard countertop version of the Spacemaker appliances lost share as GE's competitors slashed prices to maintain their sales volumes in countertop models. Nevertheless, Spacemaker models were expected to account for about 40% of B&D's 1984 unit sales in the five product categories in which they competed.

Competition

B&D's principal competitors in the housewares market were Sunbeam (a subsidiary of Allegheny International), Proctor-Silex (Westray), Hamilton Beach (Scovill), and Norelco (Philips). Few offered as broad a line as B&D, but all four competed with B&D in at least six categories. In addition, B&D had to contend with specialist competitors in each product category. For example, Cuisinart was the market share leader in food processors as was Mr. Coffee in drip coffee makers. European manufacturers, such as Krups, were increasingly penetrating and helping to expand the premium price segment in some categories. Their higher-margin products were welcomed by department stores that sought to continue to compete with mass merchandisers in housewares. Japanese manufacturers were not a factor in the U.S. small-appliance market except for dual-voltage travel irons.

Following the acquisition announcement, B&D's housewares competitors saw the imminent demise of the strongest brand name in the housewares market (i.e., GE) as an opportunity to increase their market shares. Hence, prices on some existing models were reduced; price increases announced for 1985 were minimal, and promotional and merchandising allowances escalated. The timing of new product introductions accelerated and, in some instances, manufacturers decided to enter new product categories. Norelco and West Bend, for example, both announced that they would launch a line of irons.

Sunbeam was especially aggressive and heavily advertised two new products in the fall of 1984: the Monitor automatic shut-off iron and the Oskar compact food processor. Both were introduced at premium rather than penetration price levels. In addition, Sunbeam announced a $43 million marketing budget for 1985, including $25 million for national advertising, $10 million for cooperative advertising, and $8 million for sales promotion. The 1985 budget was more than Sunbeam had spent in the previous five years combined. Some analysts doubted that Sunbeam would follow through with this level of spending, however.

Besides GE's long-standing competitors, B&D also had to contend with imitators of its cordless vacuums and lights. Believing that the newly acquired product lines would divert B&D's management attention and resources, these imitators redoubled their efforts to capture more market share.

Distribution

Small electric appliances were distributed through various channels. Table A shows the percentages of industry dollar sales accounted for by each of seven channels.

Mass merchandisers, such as Montgomery Ward, and discount stores, such as K Mart, had gained share in recent years, mainly at the expense of department stores. Catalog showrooms, such as Service Merchandise, carried the broadest line of small appliances, whereas other channels tended to cherrypick the faster-moving items. GE had built a disproportionately strong share position with volume retailers, notably catalog showrooms and mass merchandisers. B&D was traditionally strong in hardware stores. In the fall of 1984, B&D accounts carried, on average, 30 B&D stockkeeping units (SKUs). (An SKU is an individual model or item in the product line.)

Table A Breakdown of Industry Dollar Sales by Channel (%)

Catalog showrooms	15%
Mass merchandisers	28
Department stores	9
Drug Stores	6
Hardware stores	5
Discount stores	8
Other[a]	29
Total	100%

[a]Includes sales through stamp and incentive programs, premiums, and military sales.

Most retailers did not view small appliances as especially profitable. Retail margins averaged 15% to 20%, though promotional merchandise was typically sold near cost. Hence, the space allocated to housewares by most chains remained stable, despite an increasing proliferation of new products. As a result, manufacturers were under more pressure than ever to secure shelf space through merchandising and promotion incentives.

Housewares and hardware buyers at B&D's major accounts determined twice a year which models they would specify as "basics." These selected models were carried in distribution for the following six months, usually in all the stores of a chain. Other models not specified as basics might occasionally be stocked but only in response to temporary promotion offers.

Basics were typically specified in January and May. Retail sales of small appliances peaked before Mother's Day and Christmas. Twenty-one percent of retail sales occurred in the first calendar quarter, 21% in the second, 17% in the third, and 41% in the fourth. Manufacturers and retailers scheduled their advertising and promotion efforts accordingly.

Consumer Behavior

Consumers shopping for small appliances were often characterized as having low information needs, low perceived interbrand differentiation, and high price sensitivity. A 1984 B&D survey drew the following conclusions:

- Two out of three consumers bought their last housewares appliance on sale and/or with a rebate. The highest percentages bought on sale were the countertop drip coffee makers, mixers, and can openers.

- Two out of three consumers compared the prices of different brands and checked to see which brands were on sale.
- Fewer than one out of three consumers would wait until a specific brand went on sale.
- Almost three out of four consumers were willing to switch from their current brands when they purchased replacements. However, fewer than one out of four consumers were indifferent to brand names.

A follow-up study of buying behavior for irons found that most consumers, when they needed a replacement, would not wait for a sale but would check to see if a store was having a sale. Fifty percent bought a replacement within seven days. Only 10% of the irons were bought as gifts. Forty-two percent of the purchasers had a specific brand in mind when they set off for the store, and 85% ended up buying that brand. Thirty-eight percent were attracted to a particular store by its advertisement, and most bought at the first store in which they shopped. Half of all purchasers bought their irons on sale and/or with a rebate.

Planning the Brand Transition

Consumer Research

To aid transition planning, B&D surveyed 600 men and women 18 to 49 years old in four geographically representative cities during July 1984. The survey first probed consumers' awareness of 10 housewares manufacturers, their ownership of small appliances by each manufacturer, and the degree to which their overall image ratings of each manufacturer were favorable or unfavorable. These results are summarized in **Exhibit 2**.

Next, respondents were asked to rate each manufacturer on various attributes using a 100-point scale. Averaging all responses, the researchers identified B&D's strengths and weaknesses compared with its main housewares competitors (GE excluded) and then with GE (see **Table B**).

Table B B&D's Strengths and Weaknesses

	B&D Advantage vs. Closest Competitor*	B&D (Dis)Advantage vs. GE
B&D Strengths		
Has high-quality workmanship	+24	+5
Makes durable products	+23	+4
Makes reliable products	+20	+1
Leader in making innovative products	+18	(7)
B&D Vulnerabilities		
Makes products that can be easily serviced	+7	(17)
Makes products most people would consider buying	+7	(12)
Makes attractive, good-looking products	+6	(8)
Makes products that are generally priced lower	+5	(9)
Makes products that are easily found	+2	(9)

*Other than GE.

The survey asked respondents whether they currently perceived B&D favorably or unfavorably as a manufacturer of each of 16 products. The percentages answering "very favorably" on a four-point scale were as follows:

Smoke alarms	62%
Flashlights	60
Vacuums	48
Grills/griddles	29
Electric knives	25
Can openers	24
Scales	22
Toaster ovens	21
Irons	18
Portable mixers	17
Toasters	17
Food processors	16
Coffee makers	13
Skillets	12
Curling irons	11
Hair dryers	9

Qualitative research indicated that consumers considered B&D a suitable manufacturer of these products but were largely unaware that B&D already made them.

Product Plans

Homa knew that B&D executives disagreed concerning both the timing and the manner in which the B&D name should be transferred to the GE small-appliance line. In talking with other executives, he had identified five points of view.

One group of executives argued that the name change should be executed across the entire product line as soon as possible to demonstrate B&D's commitment to the trade. At the other extreme, a second group, skeptical about the likely pulling power of the B&D brand in housewares, proposed that B&D delay the name transfer until the end of the three-year period.

A third group of executives supported a gradual transition whereby all the items in one or two product categories would be reintroduced under the B&D name in successive six-month periods. A fourth group wanted to execute the name change first on the premium quality items in several product categories to be followed later by the remaining lower-priced items in each product line. A fifth group argued that the transition schedule should be linked to a new product development program. Through such a program, the name change would be implemented in a product category only after the product line and packaging had been redesigned and/or when B&D could offer a new product with enhanced features.

As he planned the transition program, Homa also had to consider proposals for new or revised products that B&D product managers had submitted. The proposals included the following:

- The Spacemaker line of under-the-cabinet appliances, which had been acquired from GE, could be redesigned by B&D to look sturdier and more compact. The edges could be rounded for additional safety.

- B&D could develop Black Tie™, a line of "men's grooming tools," which would be priced at a 15% premium over the hair care line acquired from GE.
- Plans had been developed for the Stowaway line of dual-voltage travel appliances. The line would include a folding iron, hair dryer, and curling irons.
- The Handymixer cordless beater, the first extension of B&D's cordless technology into the kitchen, had been proposed.
- An automatic shut-off iron had been designed by B&D. Unlike the Sunbeam model, the B&D iron would beep to let the consumer know that it had been left on.

Communications

An effective communications plan would be integral to the brand transition. Historically, B&D and GE had implemented communications programs with fundamental differences. Specifically, GE had emphasized push programs (e.g., volume rebates, purchase allowances), which were aimed at the trade, while B&D had emphasized pull programs (e.g., advertising, consumer rebates), which targeted consumers. These differences are reflected in **Exhibits 3** and **4**, which summarize the advertising and promotion expenditures for GE and B&D before the acquisition. Homa's tentative recommendations for 1985 communications expenditures also are included in Exhibit 3 and 4.

Advertising

Increased advertising expenditures would be necessary to bolster consumer brand loyalties in the face of more aggressive competition. Homa estimated that media expenditures of $100 million would be needed for the brand transition.

The issue of how to handle the brand transition in advertising was much debated. Some executives believed that explicit references to GE in B&D's advertising were necessary to maintain market share during the transition, especially in categories where GE's brand name equity was strong. These executives wanted a transition statement such as "designed by GE, built by B&D" to be included in advertising. They also wanted hang tags on B&D products at the point of sale to indicate that the products had formerly been made by GE. Critics of this dual-branding approach, which included B&D's advertising agency, argued that it would confuse consumers and simply sustain the GE franchise. **Exhibits 5** and **6** present television advertisements proposed by B&D's advertising agency.

Promotional Programs

Homa had to determine whether or not to maintain GE's more generous support of promotional programs. Some trade accounts already had expressed concern about potential cutbacks that B&D might implement. Competitive housewares manufacturers did all they could to cultivate this concern in an effort to secure additional basics listings and shelf space for their own products.

At the time of the acquisition, GE's promotional programs for the trade included purchase allowances, volume rebates, dating discounts, and cooperative advertising. Promotional programs for consumers focused on consumer rebates.

Purchase allowances During the 1970s, GE initiated purchase allowances (PAs) on selected models against orders paid for during the first two months after Christmas and Mother's Day, the peak retail selling periods. Over time, PAs came to be offered on orders placed beyond these two-month periods. By 1983, 90% of shipments included an off-invoice PA.

Volume rebates GE operated a volume rebate program that offered trade accounts a year-end refund of up to 4½% of their net purchases during the year. Accounts qualified for various percentage rebates according to the degree to which their purchases increased over those of the previous year. There were two other features of the program. First, the rebates were computed on an account's total purchases rather than separately for each shipping point. Second, the program attempted to maintain the total number of SKUs by requiring a dealer to have incremental sales in four of six defined product categories to earn the minimum rebate.

Dating discounts Dating allowed customers to pay for goods after they were shipped and received. Dating encouraged trade accounts to place early orders for goods that they did not have to pay for immediately. The seasonality of retail sales and the desire of trade accounts to avoid holding high bulk-to-value small appliances in their own warehouses made dating programs a necessity in the small-appliance industry. Production planning and scheduling could become more efficient if a trade account placed early orders at the same time that it decided which SKUs to specify for its basics lineup.

GE Housewares Division's standard terms required full payment by the tenth of the month following an order, plus 45 days. The dating program permitted an account to place an order in May and June for shipment before September 1 and payment by December 10. A second dating program required payment by May 10 on orders placed in December and January. A schedule of early-payment allowances rewarded accounts for payment of invoices before the dating program due date. GE's purchase allowance and dating programs together permitted accounts to pay less and pay later.

Cooperative advertising GE's Housewares Division had long offered trade accounts a cooperative advertising program. Accounts accrued 3% of their net purchases in a rolling 12-month cooperative advertising fund. (Allowances accrued more than 12 months previously that had not been spent were forfeited.) Accounts could draw on these accruals to subsidize the cost of retail advertising that featured GE products. GE paid the full cost of qualifying advertising but sometimes only partially charged accounts' accrual funds if they featured particularly profitable premium-priced products such as items in the Spacemaker line, if they ran advertisements featuring multiple GE items, or if they timed their advertising to coincide with flights of GE national advertising.

Consumer rebates Initiated in the 1970s to help sell slower-moving models, consumer rebates had become endemic to the housewares category by the early 1980s. By 1983, almost all list price increases were cushioned with rebates, and three-quarters of all feature advertisements for GE housewares included references to manufacturer rebate offers. The average value of housewares manufacturers' consumer rebates escalated as each tried to outdo the other. In an effort to lead the industry toward more realistic list pricing, GE in 1983 curtailed rebates on irons and toaster ovens, two categories in which it was the market share leader. Far from following GE's lead, competitors increased their rebate offers. As a result, GE's share declined six points in both categories within six months.

Conclusion

Homa had two main concerns. How could the B&D brand name be transferred most effectively to the GE small-appliance line? What kind of communications program would facilitate the transfer?

Exhibit 1 Market Performance Summary for Selected Product Lines

Product	Year	GE/B&D Unit Share (%)	Feature Ad Share (%)	Average Retail Price ($)	GE/B&D Share Rank in 1984	Major Competitors (Share and Rank)		
Food processors	1983	16%	9%	$55.00	3	Cuisinart	25%	(1)
	1984	13	7	72.00		Hamilton Beach	21	(2)
	1985*	15	8	NA		Moulinex	11	(4)
						Sunbeam	7	(5)
Mixers	1983	31	22	16.00	2	Sunbeam	28	(1)
	1984	26	20	15.40		Hamilton Beach	21	(3)
	1985*	35	16	NA				
Can openers	1983	28	25	17.65	1	Rival	30	(2)
	1984	34	23	20.52		Sunbeam	8	(3)
	1985*	30	26	NA		Hamilton Beach	6	(4)
Toasters	1983	13	16	16.63	3	Toastmaster	32	(1)
	1984	12	10	21.01		Proctor-Silex	30	(2)
	1985*	11	10	NA				
Toaster ovens	1983	56	49	45.51	1	Toastmaster	25	(2)
	1984	52	39	47.85		Proctor-Silex	8	(3)
	1985*	50	40	NA		Norelco	4	(4)
Drip coffee makers	1983	17	13	34.48	2	Mr. Coffee	19	(1)
	1984	18	15	37.63		Norelco	17	(3)
	1985*	17	16	NA		Hamilton Beach	9	(4)
						Proctor-Silex	8	(5)
Electric knives	1983	39	NA	13.54	2	Hamilton Beach	47	(1)
	1984	37	NA	17.28		Moulinex	8	(3)
	1985*	39	NA	17.65				
Irons	1983	52	39	20.44	1	Proctor-Silex	18	(2)
	1984	46	29	21.83		Sunbeam	13	(3)
	1985*	45	29	NA		Hamilton Beach	11	(4)
Hair care	1983	8	8	17.74	4	Conair	22	(1)
	1984	6	4	15.37		Clairol	12	(2)
	1985*	5	3	NA		Sassoon	8	(3)
Cordless vacuums	1983	NA	NA	NA		Douglas	8	(2)
	1984	NA	38	NA	1	Sears	8	(2)
	1985*	NA	38	25.70		Norelco	7	(4)
Lighting products	1983	65	NA	NA	1	First Alert	25	(2)
	1984	57	44	NA		Sunspot	5	(3)
	1985*	38	36	21.10		Norelco	4	(4)

Note: NA means not available.

*Figures for 1985 are estimated.

Exhibit 2 Consumer Research on Major Housewares Manufacturers

	Aided Corporate Awareness (%)	Product Ownership (%)	Corporate Image Ranking Men	Women
General Electric	100%	91%	2	1
Black & Decker	99	67	1	2
Mr. Coffee	99	51	4	5
Conair	79	43	9	8
Hamilton Beach	93	43	5	6
Norelco	98	54	3	4
Proctor-Silex	80	28	8	7
Rival	56	19	10	10
Sunbeam	96	48	6	3
Toastmaster	92	41	7	9

Exhibit 3 Advertising and Merchandising Expenditures for GE Housewares (in millions of dollars and percentage of net sales billed)

	1983		1984		1985[a]	
	$	% of Sales	$	% of Sales	$	% of Sales
Push Programs						
Purchase allowances	$17.5	3.5%	$22.5	4.5%	-	-
Volume rebates	14.0	2.8	14.5	2.9	$ 12.5	2.5%
Cash discounts	-	-	-	-	-	-
Subtotal	31.5	6.3	37.0	7.4	12.5	2.5
Pull Programs						
National advertising	$8.5	1.7%	$16.5	3.3%	$ 34.0	6.8%
Co-op advertising	26.0	5.2	25.5	5.1	32.0	6.4
Consumer rebates	13.0	2.6	9.5	1.9	15.0	3.0
Consumer promotions	1.5	0.3	1.0	0.2	0.5	0.1
Sales promotion materials	3.0	0.6	1.5	0.3	3.5	0.7
Press relations	1.0	0.2	1.0	0.2	1.0	0.2
Exhibits	1.0	0.2	1.0	0.2	1.0	0.2
Functional support expenses	1.5	0.3	1.5	0.3	2.0	0.4
Corporate promotion assessment	-	-	-	-	-	-
In-store merchandising	-	-	-	-	3.5	0.7
Subtotal	55.5	11.1	57.5	11.5	92.5	18.5
Total merchandising expenditures	$87.0	17.4%	$94.5	18.9%	$105.0	21.0%

Note: 1984 and 1985 figures continue to separate the former GE housewares line from the former B&D household products line for ease of comparison. Total 1985 B&D Household Products Group expenditures can be calculated by summing the last columns in Exhibits 3 and 4.

[a]Estimated

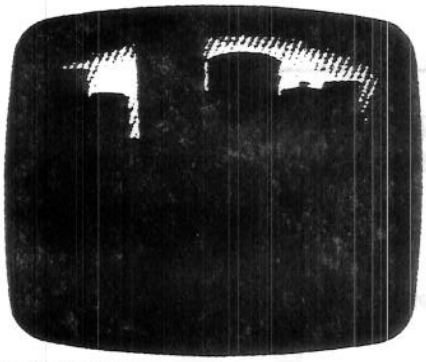
Exhibit 4 Advertising and Merchandising Expenditures for Black & Decker Household Products (in millions of dollars and percentage of net sales billed)

	1983		1984		1985[a]	
	$	% of Sales	$	% of Sales	$	% of Sales
Push Programs						
Flexible funds (off-invoice)	-	-	-	-	-	-
Retail incentive plan	-	-	-	-	$ 1.0	0.6%
Cash discounts	$ 0.9	0.9%	$ 1.2	0.9%	1.5	0.9
Subtotal	0.9	0.9	1.2	0.9	2.5	1.5
Pull Programs						
National advertising	$ 8.9	8.9%	$12.0	9.2%	$18.6	11.0%
Co-op advertising	2.0	2.0	3.1	2.4	7.3	4.3
Consumer rebates	-	-	2.2	1.7	11.7	6.9
Consumer promotions	-	-	-	-	-	-
Sales promotion materials	0.5	0.5	1.6	1.2	1.4	0.8
Press relations	-	-	-	-	-	-
Exhibits	-	-	0.1	0.1	0.3	0.2
Functional support expenses	-	-	0.1	0.1	0.3	0.2
Corporate promotion assessment	-	-	1.0	0.8	2.0	1.2
In-store merchandising	-	-	-	-	-	-
Subtotal	11.4	11.4	20.1	15.5	41.6	24.6
Total merchandising expenditures	$12.3	12.3%	$21.3	16.4%	$44.1	26.1%

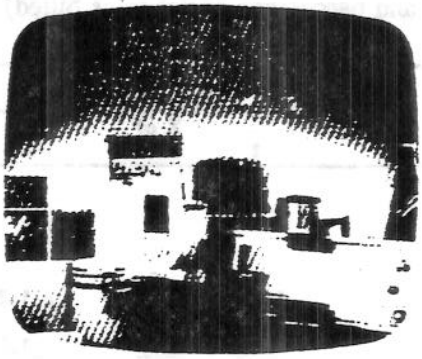
Note: B&D household products: Dustbuster Vac, Spotliter, and Scrub Brusher.

[a]Estimated

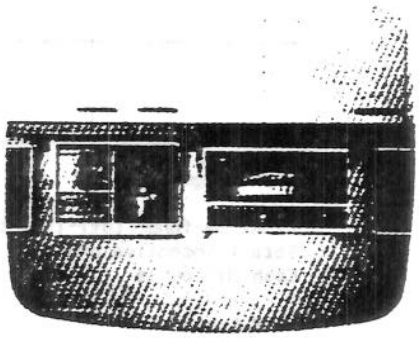
Exhibit 5 Proposed 1985 Spacemaker Advertisement



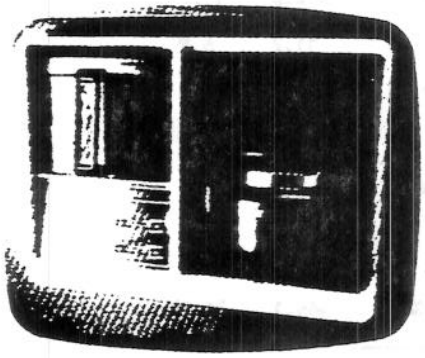
(SFX: TRAFFIC)
ANNCR: (VO) One of the most densely populated places on earth



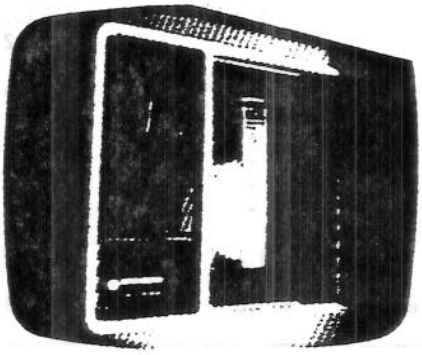
is your kitchen counter. So crowded, the only place to go is up.



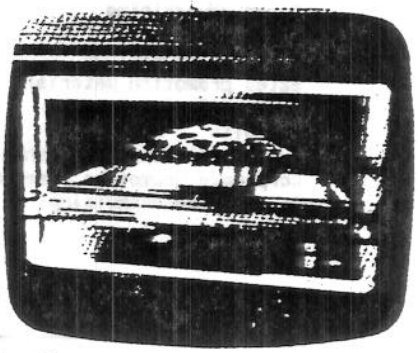
Presenting Black & Decker Spacemaker Appliances.



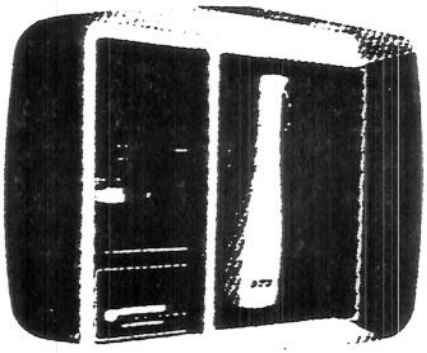
Coffeemaker,



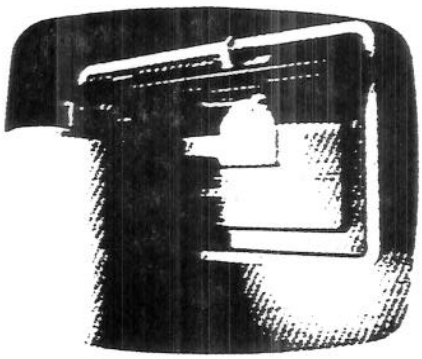
mixer,



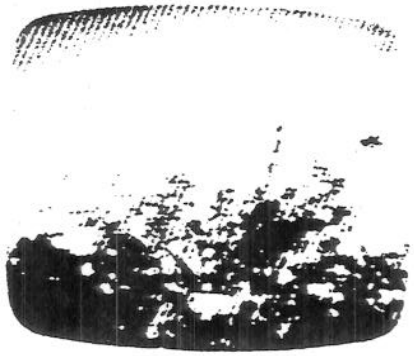
toaster oven,



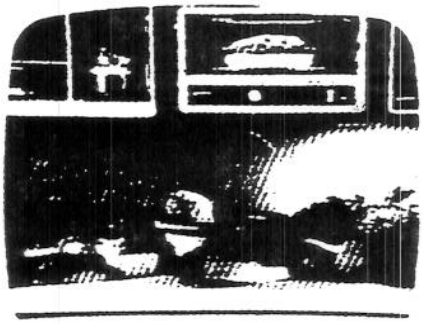
electric knife



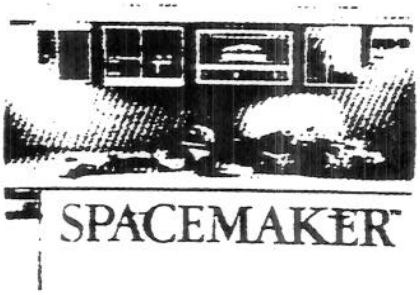
and can opener. The only completely coordinated line of under-the-cabinet appliances.



(SFX: BIRDS CHIRPING)
They return your counter



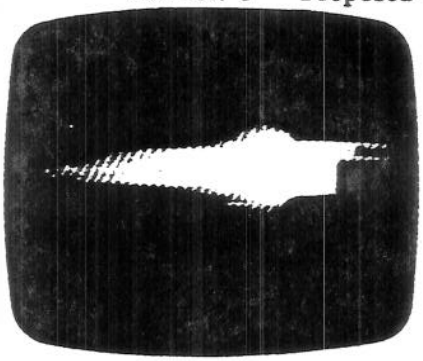
to a more natural state.



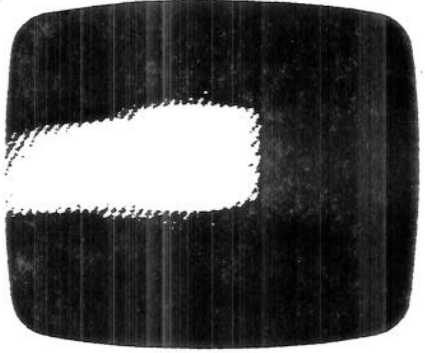
The Spacemaker line

from Black & Decker. Ideas at work.

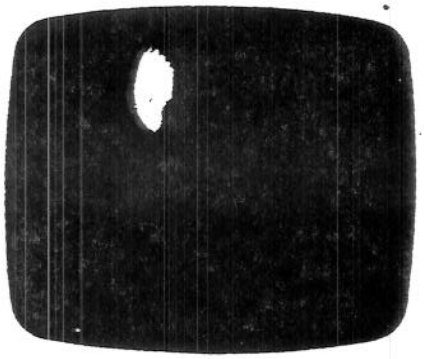
Exhibit 6 Proposed 1985 Spotliter Advertisement



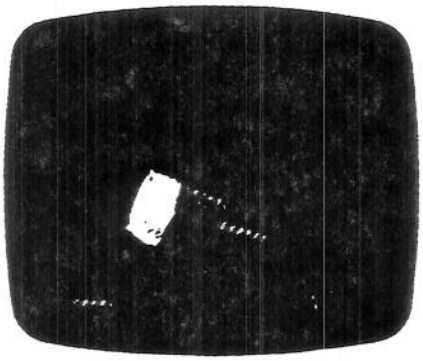
(SFX: Electronic High Tension)
ANNCR: (VO) It splits the dark with a powerful beam.



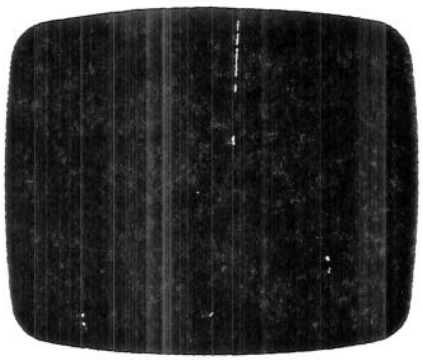
Spotliter rechargeable light from Black & Decker.



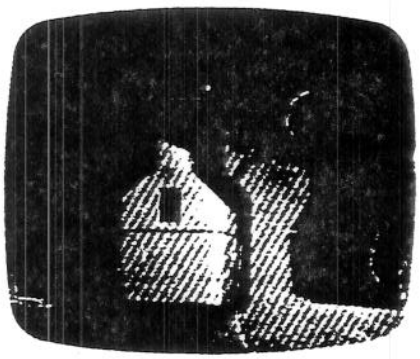
A light built so strong



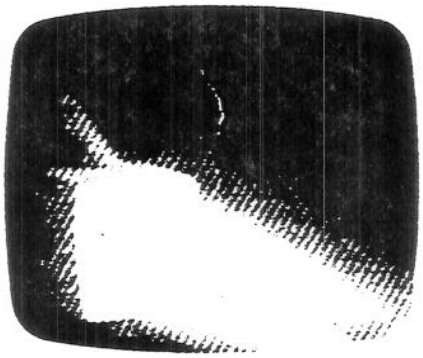
.: can survive a drop of 6 feet.



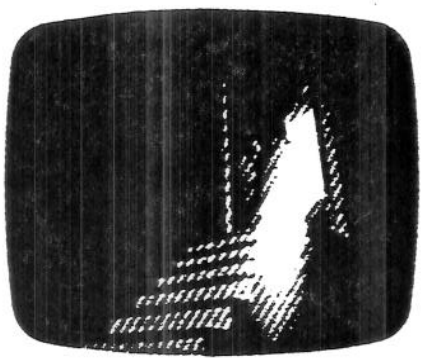
Spotliter stores all the power you need in its own recharging base.



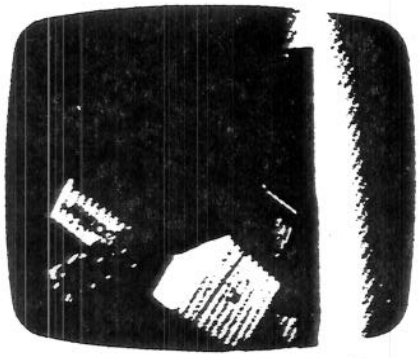
So on a moment's notice



it gives you light.

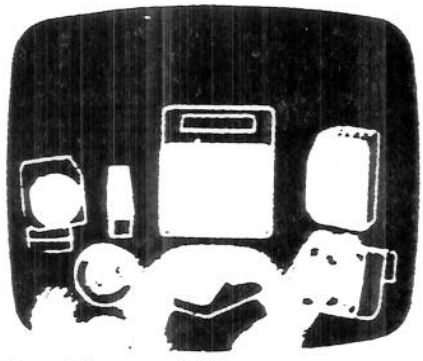


Light for your safety. . .and peace of mind.



It's one utility light that does more than just shine.

Spotliter.



One of the many lights

in the lighting series. From Black & Decker. Ideas at work.

Harvard Business School 9-589-027

Reebok International Ltd.

*Tammy Bunn Hiller prepared this case under the supervision of Professor **John A. Quelch** as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. Certain nonpublic data have been disguised.*

In June 1988 executives of Reebok International Ltd.'s Reebok Footwear Division (RFD) met to review the company's U.S. marketing communications program for the second half of the year. In addition to category advertising to promote specific product lines such as aerobic shoes, Reebok's vice president of advertising intended to pursue three multiproduct umbrella campaigns: television advertising during the 1988 Summer Olympics; television and print advertising with the tag line "Reeboks let U.B.U."; and print advertising to introduce Reebok's new performance feature, the Energy Return System.

In addition, Reebok executives had to review their marketing communications plan for the Human Rights Now! world concert tour. On March 29 Joe LaBonté, Reebok's president and chief operating officer, had announced that Reebok was joining Amnesty International (AI) in sponsoring this tour, which would celebrate the fortieth anniversary of the United Nations' Universal Declaration of Human Rights. However, debate continued within Reebok about the merits of this sponsorship, about how aggressively Reebok should publicize its association with the tour, and about how the proposed communications program for the tour related to RFD's overall marketing communications plan.

Illustration by Jane Simon

Company Background and Strategy

Reebok's antecedent, J.W. Foster and Sons, was founded in England in 1895 as a manufacturer of custom track shoes that were marketed by mail worldwide. The company was renamed Reebok in 1958. In 1979 Paul Fireman bought the North American distribution rights. In 1984 he and his backers, principally Pentland Industries plc, bought the parent company.

Copyright © 1988 by the President and Fellows of Harvard College
To order copies, call (617) 495-6117 or write the Publishing Division, Harvard Business School, Boston, MA 02163. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of the Harvard Business School.

Rev. 11/89

Fireman's first imports into the United States were three styles of hand-stitched, high-priced running shoes. In 1982, convinced that interest in running would plateau and aerobics would become the next fitness craze, Fireman introduced the first aerobic/dance shoe, the Reebok Freestyle. The shoe was unique. It was made of garment leather. It was soft, supple, wrinkled at the toe, and comfortable to wear from day one. It was also more attractive than competitors' athletic shoes. Furthermore, it was the first athletic shoe specifically targeted at women.

With the introduction of aerobic shoes, Reebok began a period of phenomenal growth. Between 1982 and 1987 net sales grew from $3.5 million to $1.4 billion, and net income grew from $200,000 to $165 million. Reebok ranked first among major U.S. companies in sales growth, earnings growth, and return on equity for the years 1983 through 1987. Fireman's goal was for Reebok to become a $2 billion multinational by 1990.

Reebok's growth was accomplished through broadening of existing product lines, expansion into additional product categories, and acquisitions. *Exhibit 1* presents a chronology of Reebok's new product line introductions and acquisitions. The company had five operating units: Reebok North America (which included RFD and the Reebok Apparel Division), Reebok International, Rockport, Avia, and Ellesse.

In 1987 RFD sold approximately 42.17 million pairs of shoes to its U.S. retailers. The shoes were sold to consumers for an average price of $43. RFD accounted for approximately 71% and 88% of Reebok's 1987 sales and operating profit, respectively. The division's sales and estimated operating income for 1983 through 1987 are shown in *Table A*.

In the 1980s RFD diversified its product offerings dramatically. In 1979 the division sold three shoes. In 1988 it sold more than 300 different shoes in 10 product categories. Aerobic shoes accounted for 56% of the division's sales in 1984. In 1987 they constituted only 29%.

The division sold its shoes direct to retailers through 17 independent sales organizations. This sales force sold only Reebok brand products and was paid on a commission basis. A staff of field service and promotion representatives, employed by Reebok, supported the sales force by traveling throughout the United States teaching retailers and consumers about the features and benefits of the division's shoes. RFD followed a limited distribution strategy. Its shoes were sold only through specialty athletic retailers, sporting goods stores, and department stores. They were not sold in low-margin mass merchandiser or discount stores.

RFD, like other major athletic shoe companies, contracted out all of its manufacturing. The shoes were made in eight countries. Most of them, 71% in 1987, were produced in South Korea. The division's large-volume needs, combined with labor disruptions in South Korea, caused supply problems in 1987. In late 1987 RFD added sourcing capacity in Taiwan, China, Thailand, the Philippines, and Indonesia. It also contracted to take all of the production of H.S. Corporation, a large South Korean footwear manufacturer that produced approximately 30 million pairs of shoes annually.

The Athletic Footwear Industry

Growth of the Industry

Between 1981 and 1987 the U.S. athletic footwear market more than doubled in size. Wholesale sales of branded athletic footwear neared $3.1 billion in 1987. Nonbranded footwear added another $0.4 billion. Reebok held a 32.2% share of branded athletic footwear in 1987, up from 3.3% in 1984.

Table A RFD Sales and Estimated Operating Income ($ millions)

	1983	*1984*	*1985*	*1986*	*1987*
Net sales	$12.0	$64.0	$299.0	$841.0	$991.0
Cost of sales	6.8	37.9	171.0	475.0	562.0
Gross margin	$ 5.2	$26.1	$128.0	$366.0	$429.0
SG&A expense	4.0	14.0	52.0	131.0	169.0
Operating income	$ 1.2	$12.1	$ 76.0	$235.0	$260.0

The industry's dynamic growth began in the early 1980s with the running craze. The running shoe was a new product that did not replace existing lines. Compared with the sneakers of the 1970s, it was made of different materials, was more performance oriented, and was more expensive. It also became a fashion item as Americans embraced more casual, health-conscious lifestyles.

In 1983 running shoe sales declined dramatically as Americans turned to other forms of exercise. New categories such as aerobic and fitness shoes, however, continued to drive industry growth. The success of the aerobic shoe prompted many companies to develop women's shoes for traditionally male-dominated categories such as basketball. By 1987 walking shoes, targeted largely at older females, were the fastest-growing line. Industry experts expected 8%–12% growth in the U.S. athletic footwear market in 1988.

In 1987 Reebok also held a 4.4% share of the $4.5 billion foreign-branded athletic shoe market. Development of foreign markets lagged three or four years behind that of the U.S. market. In 1987 the aerobics boom was just taking off in Europe, and the women's athletic shoe market was largely untapped.

The Competition

Nike, in second place, had an 18.6% market share, down from 31.3% in 1984. Founded in 1964, Nike rose to prominence in the late 1970s thanks to high-tech innovations in running shoes. In 1984, however, Nike ignored the aerobics trend, wrongly counting on its running shoes to sustain company growth. Its warehouses became overstocked with running-shoe inventory, which Nike had to sell off through discount stores. This action tarnished Nike's reputation with the trade. From 1983 to 1985 its sales rose by only 9%. However, in 1985 the Air Jordan basketball shoe, named for Michael Jordan of the Chicago Bulls, generated sales of $100 million. In 1986 sales fell as quickly as they had risen when Jordan broke his foot early in the NBA season. That year Nike lost its number-one U.S. market share position to Reebok.

In 1987 Nike closed excess plant capacity, slashed overhead, and spent $23 million to promote its new Air line with a "Revolution in motion" advertising campaign that featured the Beatles' original recording of "Revolution." It also took advantage of Reebok's supply problems to revitalize its dealer relations.

Nike's expressed goal was to recapture the number-one spot from Reebok. For 1988, according to *Advertising Age* magazine, Nike was stepping up advertising spending by 36% to $34 million. Ten million dollars would be spent on network television for its new "Just do it" campaign, which would break in mid-August. In February 1988 Nike introduced a fashion-oriented nonathletic brand for women in an attempt to penetrate a market in which it was historically weak. The shoes, called IE, did not carry the Nike name.

Converse held an 8.1% share of the U.S. market in 1987, down from 11.2% in 1984. The Converse name was closely identified with canvas athletic shoes for children and teens, particularly for basketball. In 1988 the company introduced the Evolo line of leather athletic shoes featuring upscale Italian styling and aimed at a more fashion-conscious customer.

Adidas, the world's largest athletic shoe company, had a 5.7% U.S. share and a 25% world share in 1987. Headquartered in West Germany, Adidas lost $30 million on its U.S. sales. Its 1988 U.S. advertising budget was estimated at only $3 million.

Avia, owned by Reebok, was the fifth-largest competitor in the U.S. branded athletic shoe market. Avia emphasized design technology and targeted active athletic participants who valued performance and functionality over other product features. With 1987 sales of $157 million, its share was 4.9%, up from .4% in 1984. Avia's 1988 advertising budget of $20 million was double 1987 expenditures.

Industry experts grouped Avia with LA Gear (2.3% share) and Asics Tiger (2.2% share) as small companies with innovative products and the potential to become significant players in the market. Twenty-five other companies competed in the branded athletic shoe market. Each had found a niche for itself, but none had been able to expand beyond it.

Competition remained keen in 1988. First, higher leather costs, increased labor rates, and a weakened dollar had increased the cost of Far East production by 10% in 1987. Further cost hikes, which would put pressure on the margins of all competitors, were expected in 1988. Second, in order to reduce inventory markdowns, retailers were narrowing their selections to only four or five brands and one or two lines

of a few other brands. Third, athletic shoe product life cycles appeared to be shortening. By 1988 the life of a new model averaged only about nine months.

Consumer Attitudes and Behavior

Paul Fireman credited Reebok's success to an ability to stay close to the consumer. "Consumer preferences are constantly changing," he contended, "and future progress is linked to our skill in understanding the messages sent from the marketplace so we can deliver the right products."

Industry experts segmented athletic shoe consumers into serious athletes, weekend warriors who used their shoes for sports but were not zealous athletes, and casual wearers who used athletic shoes only for streetwear. The "pyramid-of-influence" model, traditionally used in marketing athletic shoes, posited that the serious athlete was a very small segment of the market but an important opinion leader for both weekend warriors and casual wearers. Casual wearers accounted for 80% of athletic shoe purchases, wanted both style and comfort, and were thought to select shoes based on what they saw serious athletes wearing.

The pyramid model led athletic shoe marketers to emphasize technological and performance superiority in order to appeal to serious athletes. New shoes were first introduced in exclusive sports shops and gradually expanded into wider distribution.

The validity of the pyramid-of-influence model was questioned by some Reebok executives who believed that advertising directed at the serious athlete did not reach many consumers. They pointed to the results of a June 1986 survey that indicated that friends and relatives, not athletes, were the most important influence in athletic shoe users' brand decisions. *Exhibit 2* shows the sources of information that athletic shoe purchasers used to decide which brand to buy. In addition, in a world where new athletic shoe styles could be knocked off in three months, the executives questioned the appropriateness of new product introductions not directed at the mass market.

In the 1986 survey, consumers were asked how important various attributes were when deciding which athletic shoes to buy. Fifty-eight percent of respondents rated comfort extremely important, followed by support/stability (43%), design (36%), quality (35%), price (30%), fashion (20%), and leadership (12%).

An October 1987 attitude and usage study indicated that 95% of athletic shoe owners were aware of Reebok shoes, up from 57% two years before. Ninety-eight percent of all teens, a segment that purchased more than three pairs of athletic shoes per year, were aware of Reebok brand. Moreover, unaided awareness of Reebok had doubled over the past two years, whereas that of Nike had dropped. Fifty-three percent of teenagers surveyed considered Reebok the "in" shoe compared with 38% for Nike. Reebok was also rated superior to its major competitors in both quality and comfort.

The brand had high penetration. Fifty-two percent of all people surveyed and 70% of the teens surveyed had owned Reebok shoes. Two years before, only 18% of people surveyed had ever owned Reebok shoes. Reebok's current ownership was 45% of those surveyed, higher than for any other brand. In addition, Reebok shoes were currently worn in 61% of the households in which athletic shoes were purchased in 1987. The owners claimed to be loyal as well. Two out of three of those who last purchased Reebok intended to make Reebok their next purchase, a repurchase rate higher than that for any competing brand. Finally, Reebok owners were significantly more likely to buy athletic shoes at regular price than were nonowners.

The results of the attitude and usage study were positive. But a series of focus group interviews in October 1987 uncovered some disturbing qualitative information.[1] In past focus groups, when participants were asked to describe Reebok shoes, the most commonly used adjectives were *innovative, vivid, adventurous, experimental, special, vibrant,* and *new.* The October 1987 focus group members, however, used words such as *comfortable, youthful, energy, fun, diverse, clean, leader, a standard,* and *middle class.* Teens said they were still buying Reeboks, but the way they talked about them had changed. They used to brag about their Reeboks. Now some teens apologized for them. At the same time, participants insisted that Reebok was not a badge brand. In other words, wearing Reeboks did not brand one as a jock or a yuppie

1. A focus group brings together 6 to 10 individuals for an open-ended discussion led by a moderator.

or any other "type." "My Reeboks" meant something different to each person.

Sharon Cohen, vice president of advertising and public relations for Reebok North America since 1984, concluded: "When Reebok was new, just being discovered, we had a cult-like following. We were fresh and exciting and had brought new dimensions to the athletic shoe industry—style and comfort. Today we are a mass-appeal shoe, and this requires new strategic thinking. Now that everyone is wearing Reeboks, our job and the job of our advertising is to keep our brand exciting."

Marketing Communications

Before 1987

According to Cohen, Paul Fireman "always started with advertising. If he had only $100, he'd spend it on advertising." In the early years of the company, he made his own media buys. He bought astutely, making ad hoc print media purchases at low rates to make the brand as visible as possible even though sales were modest.

By the early 1980s RFD's advertising program consisted of product-specific, sports-context print ads, heavy concentration in specialty periodicals targeted at serious athletes, lighter buys in related general-interest magazines, media-exposed use of the products by a select group of successful-athlete endorsers, and a great emphasis on grass-roots involvement.

Reebok paid star athletes to wear the Reebok label and to participate in Reebok-sponsored promotions such as tennis clinics and autographing sessions. These athletes could also earn bonuses by winning specified tournaments/games/events or by winning specified honors within their sports, or both. In addition, lesser athletes, mostly promising youngsters, received free shoes and clothing from Reebok but were paid nothing. By supporting their training efforts in this way, Reebok increased the likelihood of signing them to endorsement contracts if they excelled later.

RFD's marketing of aerobic shoes exemplified its heavy grass-roots involvement in the sports addressed by its products. The division published aerobics newsletters, sponsored seminars and clinics, funded research on injury prevention, and created the sport's first certification program for instructors. It also offered aerobics instructors discounts on shoes and put Reebok shoes on the feet of many television aerobics instructors.

In addition, RFD communicated with its consumers through point-of-sale pieces and merchandising promotions in retail stores, outdoor advertising, radio, and, starting in 1986, television. RFD also advertised in trade publications, catalogues, and sales brochures to help its salespeople communicate better with their dealers.

As RFD's sales grew, so did its advertising, promotion, and public relations budgets. Combined, they grew from $2.7 million (4.2% of sales) in 1984 to $6.5 million (2.2% of sales) in 1985, $10 million (1.1% of sales) in 1986, and $34 million (3.4% of sales) in 1987.

In 1986 RFD began testing new approaches to advertising. It ran the advertisement shown in *Exhibit 3*, which featured a couple wearing Reebok shoes riding a motorcycle to brunch and was the first ad to feature an athletic shoe advertised outside of a sports context. It was followed by an 18-month-long campaign with the theme "Because life is not a spectator sport." Each print ad, an example of which is shown in *Exhibit 4*, emphasized the participant and the joy of the sport, not the shoe and its attributes. The ads used an unusual technique called prism color in which photographs were transformed into pastel acrylic paintings. They ran in a balanced mix of 40 general-interest and specialty sport magazines.

The 1987 Program

Each year RFD developed a divisional marketing communications budget plus separate budgets for each category of sports shoe. Category managers were responsible for the decision making and management of their budgets, and Cohen was responsible for managing the divisional budget. Cohen and the category managers all reported to Frank O'Connell, the president of Reebok North America. *Exhibit 5* presents the division's marketing organization in relation to the total corporation.

RFD's 1987 divisional advertising budget is outlined in *Exhibit 6*. In 1987 RFD advertised via print, radio, and television directed toward both the trade and consumers. Trade advertising, illustrated in *Exhibit 7*, emphasized that "Reebok is performance." Consumer advertising through July focused on the "Because life is not

a spectator sport" campaign. In August the division began a new multi-themed campaign with different television and print ads designed for each sports category. Depending on the sport, print ads addressed one or more of four themes: performance, new technology, "classic" styling, and fashion. *Exhibits 8* through *11* show ads for four sports categories. Five television ads each sold a different sports shoe, but all dramatically employed motion and featured "real people," not high-profile athletes. Radio was used to reinforce the television message.

The variety in RFD's 1987 advertising effort was exemplified by contrasting the second-half advertising of shoes in two sports categories, tennis and basketball. Tennis shoe advertising was targeted at 18- to 49-year-old adults. The category manager's $975,000 advertising budget was split nearly equally between television and magazines. Both the magazine and television copy evoked tennis tournaments. The television ads were shown only during the U.S. Open. The print ads ran in nine tennis magazines, including *Tennis* and *Racquet Quarterly*, and three general sports magazines, including *Sports Illustrated*.

Men's basketball shoe advertising was targeted at 12- to 24-year-old males. Approximately $1.2 million was spent, 60% on television, 24% on print, and the rest on radio. Ads in all media showed amateur players in action on neighborhood playground basketball courts. Television ads ran on network prime time and late night and during sports events. Magazines used were *Sports Illustrated, Boys' Life*, and *High School Sports*.

Women's basketball shoe advertising was targeted at female teens. The $960,000 women's basketball shoe budget, like that for tennis, was split evenly between television and print. Unlike the tennis ads, however, the basketball ads were fashion-oriented and did not show shoes being used in sports contexts. The television ad ran on early-fringe, weekend, and late-fringe network TV and on the MTV (music television) cable channel. The print ads ran in seven general-interest, fashion, and teen magazines, including *People, Glamour*, and *Seventeen*.

In addition to product-specific advertising, RFD sponsored a special insert in *Rolling Stone* magazine. The insert, titled "Artists of the Year 1967–1986," featured five Reebok shoe ads. These ads were one-offs, that is, they were used only once, in the *Rolling Stone* insert. Each ad featured someone giving a "Best performance in a pair of Reeboks" in a decidedly nonsports context. *Exhibit 12* shows one of the ads.

Grass-roots promotions and athlete endorsements remained a large part of RFD's communications program in 1987, costing approximately $18 million. Promotional events included sponsorship of tennis tournaments for juniors and celebrities, the Reebok Teaching Pro Classic for tennis professionals, the Reebok Professional Aerobics Instructor Alliance, and the Reebok Racing Club. Shoe endorsers included basketball players Dennis Johnson, Danny Ainge, and Brad Daugherty, marathoner Steve Jones, tennis players Hana Mandlikova and Miloslav Mecir, aerobics expert Denise Austin, and the members of the U.S. National Cycling Team.

The 1988 Program

Category advertising. The 1988 category budgets totaled approximately $22 million, $8 million of which was earmarked for category-specific print and television ads. The rest was allocated to athlete endorsements and grass-roots promotional events. The communications program for each category varied widely, as exemplified by the allocation of the 1988 budgets for tennis and basketball shown in *Exhibit 13*.

Almost 75% of the tennis category expenditures in 1988 were allocated to athlete endorsements and local and national tournament sponsorship. The objective was to maintain Reebok tennis shoes' credibility in the world of tennis. Reebok currently had a 40% share of the U.S. tennis shoe market and marketed the five best-selling tennis shoes in the world. Fewer than 10% of Reebok tennis shoes sold, however, were used on the tennis court; the rest were used for streetwear.

Tennis shoe print advertising in 1988 was geared toward casual usage. Thirty percent of the budget was allocated to hard-core performance-oriented ads. The rest was allocated to lifestyle/fashion-oriented ads, a departure from the strict performance orientation of the past.

Reebok basketball shoes, introduced in late 1985, were the best-selling basketball shoes in the United States. The category's 1988 television and radio ads featured people talking about the greatest basketball players they had ever seen, the "legends" of the old playgrounds. Print and outdoor ads showed "real" people engaged in playground basketball. Consumer promotions

were of two types. First, a court-painting program sponsored renovation of basketball courts in low-income areas. Second, 10 local basketball tournaments, such as the Gus Macker 3-on-3 tournament in Belding, Michigan, were sponsored. Players under contract to Reebok attended the events to heighten their impact.

"U.B.U." umbrella advertising. From the 1987 consumer research, Frank O'Connell concluded that RFD needed a new umbrella campaign to rekindle the vitality of the Reebok name while ensuring its continuity as a mainstream brand. He charged Chiat/Day with developing advertising copy that was "on the edge, far out, with a unique look that would be new not only to footwear advertising, but to the whole advertising industry." Chiat/Day recommended that the new campaign stress freedom of expression and the individuality that one could achieve wearing a pair of Reeboks, but at the same time maintain the brand's mass appeal.

The result was an offbeat campaign with the tag line "Reeboks let U.B.U." The ads featured zany vignettes of people expressing their individual styles in their Reebok shoes: a three-legged man strutting in a baseball cap and raincoat, a girl dressed like a princess emerging from a subway exit wearing her crown and her Reeboks, a bevy of wood nymphs tiptoeing through a forest glade, a room full of pregnant women aerobic dancing, and a young couple rolling on the grass. Throughout the television commercials, "U.B.U." flashed on the screen in large, jagged, typewritten-style letters. In the final seconds of each ad, "Reeboks let U.B.U." appeared across the screen. The ads would be targeted at 18- to 34-year-old adults, particularly women. They would be run on prime-time and late-night shows such as "The Wonder Years," "Moonlighting," "LA Law," "thirtysomething," and "Late Night with David Letterman" and on cable channels such as MTV, ESPN, and WTBS.

The proposed "U.B.U." print campaign used a revolutionary new colorization process. A marriage of photography and illustration, its finished product resembled that of colorized videos. The print ads, like the television ones, featured self-expression in Reebok shoes and used the same tag line. *Exhibit 14* shows a sample print ad. The ads would run in fashion magazines such as *Esquire* and *Glamour*, entertainment magazines such as *People*, and lifestyle/special-interest magazines such as *Rolling Stone*, *Self*, and *New York Woman*. Insertions would begin in August issues and run at least through December. In addition, ads would appear in July editions of five athletic shoe trade magazines.

Olympics advertising. RFD purchased $6 million worth of television advertising time during NBC's coverage of the 1988 Summer Olympics, which spanned the last two weeks of September. Although Reebok shoes were not "Official Products of the 1988 Summer Olympics," this media purchase represented the largest concentrated spending level in the history of the athletic footwear industry and ensured the Reebok brand exclusivity in athletic footwear advertising during NBC's coverage of the Summer Games. The Olympics advertising was expected to excite Reebok brand dealers, many of whom believed that the principal way to sell athletic shoes was through ads associating them with sports.

The next step was to finalize copy for both the Olympics campaign and the umbrella campaign. The copy proposed by Chiat/Day for the Olympics ads featured "real" people wearing Reebok shoes frantically engaged in street or front-yard sports. Commercials began with the tag line "Summer Games, Bronx, New York" (or Baltimore, Maryland, etc.). At the end of each commercial, one person stopped his or her action and stated, "And you thought all the excitement was in Seoul."

ERS. Both the Olympics and "U.B.U." ads would be targeted at style-conscious 18- to 34-year-old adults. In order to reach active sports participants, RFD also planned to run a performance-based print campaign featuring Reebok's new Energy Return System (ERS). ERS shoes were designed to compete with Nike's Air line in the $75–$90 per pair retail price range. Compressed air—sandwiched in four brightly colored tubes visible through the sole of the shoe—cushioned the foot when it hit the ground, captured some of the energy released, and returned it to the foot for extra bounce. The proposed ERS ads would carry the slogan "The revolution is over" in response to Nike's successful 1987 "Revolution" campaign. *Exhibit 15* shows a sample ad. The ads would run from June to December in sports magazines such as *Runner's World*, *Outside*, and *Sports Illustrated*.

RFD's divisional marketing communications budget would cover the $17 million combined cost of the "U.B.U.," Olympics, and ERS campaigns through the end of 1988. *Exhibit 16* provides a breakdown of the proposed ad spending by campaign and media.

The Human Rights Now! Tour

While O'Connell, Cohen, and Chiat/Day were developing copy for RFD's freedom-of-expression umbrella campaign, an opportunity arose to help finance a world concert tour conceived by AI. The objective of the tour, later named the Human Rights Now! world concert tour, was to support AI's worldwide effort to develop awareness of the human rights guaranteed in the United Nations Universal Declaration of Human Rights.

Chiat/Day brought the idea to Reebok and suggested that it help underwrite the tour in order to reach young people with a positive message about the company. Before proceeding, Joe LaBonté commissioned a telephone survey of 1,000 U.S. adults to determine their awareness of and attitude toward AI. Awareness was highest (60%) among people 18 to 34 years old. Almost half of this age group (49%) had a favorable attitude toward AI, and only 7% had an unfavorable attitude. The rest were neutral or unaware.

Joe LaBonté decided to support the Human Rights Now! world concert tour because he believed in the tour's cause and because it offered the opportunity to give something back to the young people who were responsible for the company's success. After discussions with Paul Fireman, he committed Reebok as sole underwriter of the tour. He felt that the time it would take for AI to enlist several sponsors would likely delay the concert tour until 1989. In addition, being sole corporate sponsor would give Reebok a greater voice in tour promotion decisions than if the job were shared.

LaBonté announced Reebok's underwriting of the tour at a press conference in Los Angeles on March 29. At the same time, telegrams announcing the sponsorship were sent to all of Reebok's retailers. Soon thereafter, letters explaining Reebok's involvement with the tour and the Reebok Human Rights Award were mailed to all Reebok employees, U.S. Reebok sales agencies, and Reebok International Division distributors.

Once committed to the tour, LaBonté formed a task force consisting of himself; Linda Lewi, vice president of Cone Communications, Reebok's public relations agency; and Angel Martinez, vice president of business development, to handle the public relations and advertising surrounding Reebok's involvement with the tour. Among their most important tasks was the management of relations between Reebok and AI.

AI was a nonpartisan organization with a worldwide grass-roots network that tried to ensure respect for human rights, the release of nonviolent prisoners of conscience, fair and prompt trials for all political prisoners, and an end to torture and executions. AI was funded by 700,000 members in 150 nations. It strove to be independent and impartial. The organization did not support or oppose any government or political system and accepted no financial contributions from governments. AI's activities included letter-writing campaigns in which AI members sent letters, cards, and telegrams on behalf of individual prisoners to government officials; publicizing of human rights abuse patterns; and meetings with government representatives. Members also organized public awareness events such as vigils outside government embassies. Since its founding in 1961, AI had worked on behalf of more than 25,000 prisoners around the world. In 1987 more than 150 of the prisoners of conscience "adopted" by AI groups in the United States were released.

Human Rights Day, December 10, 1988, would mark the fortieth anniversary of the Universal Declaration of Human Rights. Adopted by the General Assembly of the United Nations in 1948, the declaration, based on the twin pillars of freedom from want and freedom from fear, proclaimed fundamental and equal rights for "all peoples and nations." On March 3, 1988, AI launched its most ambitious campaign ever, titled Human Rights Now! Its goals were to mobilize public opinion and pressure governments to honor the declaration. In March AI circulated copies of the declaration and petitions in support of it around the world. The combined petition would be presented to the United Nations on December 10.

In 1986 AI had sponsored an American rock music concert tour that brought AI 100,000 new members, most of whom were high school and

college students. This success led AI to view music as an important vehicle to spread its message. Hence the Human Rights Now! world concert tour was conceived and scheduled to begin in September 1988. Although the venues and artists were not all finalized, AI hoped to include countries on five continents, including some with records of frequent human rights violations. Eighteen concerts were planned in 16 countries. Firm venues included Los Angeles, Philadelphia, London, and Brazil. Possibilities included Zimbabwe, the USSR, India, Thailand, Yugoslavia, Japan, Argentina, Italy, Spain, France, the Ivory Coast, Costa Rica, and Canada. The six-week tour would feature both international artists and national artists of each country in which the tour played. All artists would play for free. Sting, Peter Gabriel, Youssou N'Dour, and Tracy Chapman had committed themselves to the whole tour. Bruce Springsteen was considering joining the tour. If he did so, he would headline the event.

AI estimated that the tour would cost $22 million to produce. It expected to raise $12 million via ticket sales and broadcast rights. This left a $10 million shortfall. Therefore, for the first time in its history, AI sought corporate assistance.

In an agreement signed on April 22, Reebok made a commitment to provide $2 million seed money immediately and to finance the tour deficit to a maximum of $8 million. In addition, the nonprofit Reebok Foundation decided to fund up to $2 million.[2] The tour deficit was defined as the tour receipts received by AI from all sources other than Reebok and charitable contributions to AI minus all tour expenses.

AI had to consult with Reebok on all tour matters but had the final say on most aspects of the tour. Tour logo, name, and the design of tour merchandise required mutual approval. Reebok had certain rights to the tour name and logo as well as to photographs of the artists and audio and visual material created by AI and Reebok during the tour. Reebok could participate in the negotiation of the sale of television, radio, theatrical, and home video rights for any tour concert. The company could also create its own advertising with respect to the tour and its purposes. In addition, Reebok had the exclusive right to manufacture all tour merchandise, including clothing, posters, buttons, programs, videos, and books. The tour logo, advertising, promotional materials, and merchandise would all carry "Made possible by the Reebok Foundation" as a tag line. AI would be responsible for selling tour merchandise on the grounds of the concert on concert days. Reebok had the exclusive right to sell it through all other channels. Net profits from the sale of tour merchandise were considered tour receipts. In the unlikely event that merchandise net profits exceeded the tour deficit, the balance would be donated to AI.

To further emphasize Reebok's interest in human rights, the task force decided to establish the Reebok Human Rights Award, which was independent of AI. The $100,000 annual award, to be funded through the Reebok Foundation, would be split between two young people under 30 years of age, one male and one female. It would honor young people who, by circumstance or choice, acted against great odds to raise public awareness of and thereby help protect freedom of expression, or who suffered in their attempts to exercise their own freedom of expression.

In early June the task force met to finalize a marketing communications program for the tour. Lewi proposed the $5 million plan shown in *Exhibit 17*. This expense would be in addition to the cost of underwriting the tour. The plan consisted of pre-event, event, and postevent advertising, promotions, and public relations.

The proposed pre-event plan included the following: advertising the tour on national and spot radio; advertising on network and cable television stations via 20 public service announcements featuring celebrities talking about human rights abuses; advertising with spreads emphasizing a human rights theme in *Rolling Stone, Spin, L.A. Style, Details,* and *Interview* magazines and in the campus newspapers of the top 60 colleges and universities; speaking engagements by Reebok and AI executives before college leadership groups; interviews of AI executives and Human Rights Now! tour artists on "Good Morning America" and similar programs to explain the tour and the award; newsletters and information meetings for employees, sales agencies, and international distributors; and premiums such as T-shirts with the tour logo to be given to retail store clerks to stimulate their awareness of and excitement about the

2. The Reebok Foundation was a nonprofit organization set up in 1987 to seek out grant opportunities. In its first year the foundation awarded grants to 32 organizations in the fields of education, arts/culture, human/social services, health, and religion.

tour. The radio and magazine ads would break on August 1, followed by the television ads in mid-August and the campus newspaper ads in early September.

Tentative plans for the event communications included the following: broadcasting at least one of the concerts via network television or cable; interviews to be given by the artists and by AI and Reebok executives on "Good Morning America" and similar shows; a radio petition drive to affirm support for the Universal Declaration of Human Rights; promotions through bookstores and record stores offering free concert tickets and tour merchandise to winning consumers; employee and retailer sweepstakes with winners to be given free trips and tickets to concerts in Los Angeles or London; free tickets to be given to VIP customers in each country with a venue; hospitality suites set up at venues to entertain VIP customers; use of Reebok athletes to attend event parties and to give third-party endorsements of Reebok's underwriting of the tour; and invitations to all RFD employees to a closed-circuit viewing of one of the concerts.

The postevent plan included the following: stories released to leading newspapers, trade publications, and entertainment, lifestyle, and business magazines describing the tour's success and Reebok's charitable contribution to that success; sale of a tour documentary video and book; use of the video and book as retailer premiums; and the Reebok Human Rights Award ceremony.

The task force had to decide what changes, if any, to make to the proposed communications plan. Other Reebok executives were consulted before the meeting. Several sales managers queried, "How will this sell shoes?" They wished to explore opportunities for promotional tie-ins at the point of sale and advocated running "U.B.U." ads during the television broadcasts of the concerts. They thought that every opportunity to exploit Reebok's association with the tour should be used to sell more shoes.

Other executives disagreed. They cited risks to Reebok from association with the tour and advised that the company keep its involvement with the tour low-key in its retail outlets. Some executives were also wary of involving Reebok's athletes in the tour communications program. They feared that any negative tour publicity could rub off on the athletes and damage their influence as opinion leaders.

At the outset of the meeting, LaBonté stated: "The Human Rights Now! concert campaign promises to be the most exciting event this year in the athletic footwear industry. Our involvement with the tour must be perceived positively by our consumers, dealers, distributors, and employees. We must also ensure that the tour's advertising and promotion mesh with RFD's overall 1988 communications program."

Exhibit 1 New Product Line Introductions and Acquisitions

Introductions

Year	*Product Line Introduced*
1979	Reebok running shoes
1982	Reebok aerobic shoes
1983	Reebok tennis shoes
1983	Reebok fitness shoes
1984	Reebok children's athletic shoes
1985	Reebok apparel
1985	Reebok basketball shoes
1986	Reebok walking shoes
1987	Reebok volleyball/indoor court shoes
1987	Reebok sports conditioning shoes
1987	Reebok infants' and children's shoes
1987	Metaphors (women's casual comfort shoes)
1988	Reebok golf shoes
1988	Reebok cycling shoes

Acquisitions

Date	*Company Acquired*	*Product Line*
October 1986	The Rockport Company	Casual, dress, and walking shoes
April 1987	Avia Group International, Inc.	Athletic footwear for aerobics, basketball, tennis, running, walking, fitness/sports conditioning, and volleyball
	Donner Mountain Corporation (subsidiary of Avia)	Walking and casual shoes and hiking boots
May 1987	John A. Frye Corporation	Leather boots and casual and dress shoes
June 1987	ESE Sports Ltd.	Reebok's Canadian distributor
January 1988	Ellesse USA, Inc.: exclusive rights to the Ellesse trademarks for the United States and Canada	Sportswear and athletic footwear

Exhibit 2 Sources of Information Used by Athletic Shoe Purchasers

		Reebok	
Information Source	*Total*	*Users*	*Nonusers*
Friend or relative	72%	69%	74%
Coach or instructor	65	64	65
Salesperson	54	53	54
Article in magazine	50	52	48
Advertisement	45	43	47

Note: All people included in the survey had bought athletic shoes for their own use within the 12 months prior to the survey and were aware of the Reebok brand. Reebok users were people who claimed to own and wear Reebok shoes fairly regularly. Reebok nonusers were people who did not.

Exhibit 3 1986 Reebok "Motorcycle" Print Ad

You've Arrived.
You're headed for something special. Get there in style.
In Classic Leather—the new running shoe that sets you apart from the crowd.
It's luxurious. It's rich. It's soft Reebok garment leather that feels like you're walking on clouds.
If you're a man or woman who knows where you're going, you've arrived.
Reebok
Because life is not a spectator sport.™

Exhibit 4 1986 Reebok "Spectator Sport" Print Ad

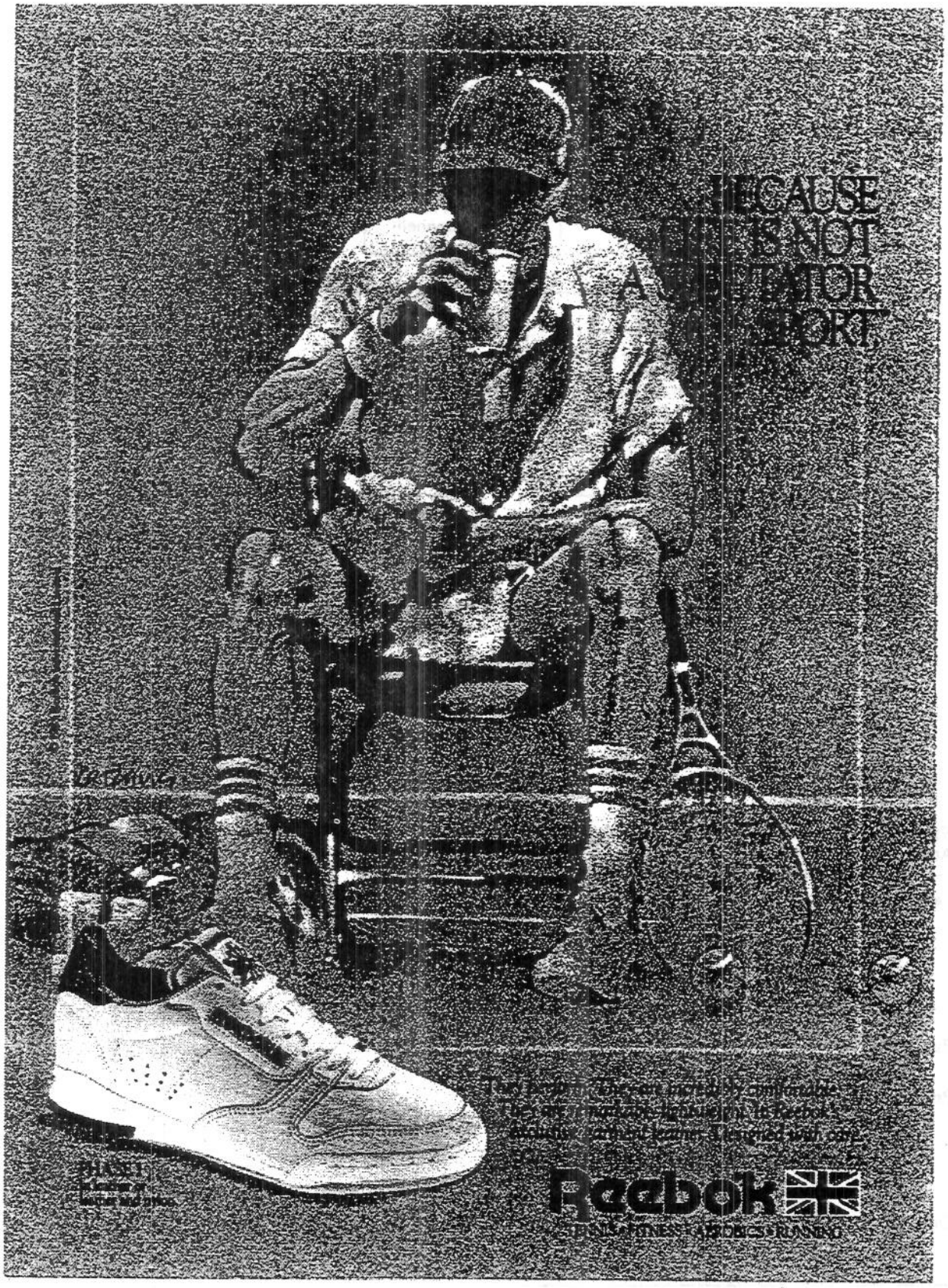


Exhibit 5 Reebok Footwear Division Marketing Organization

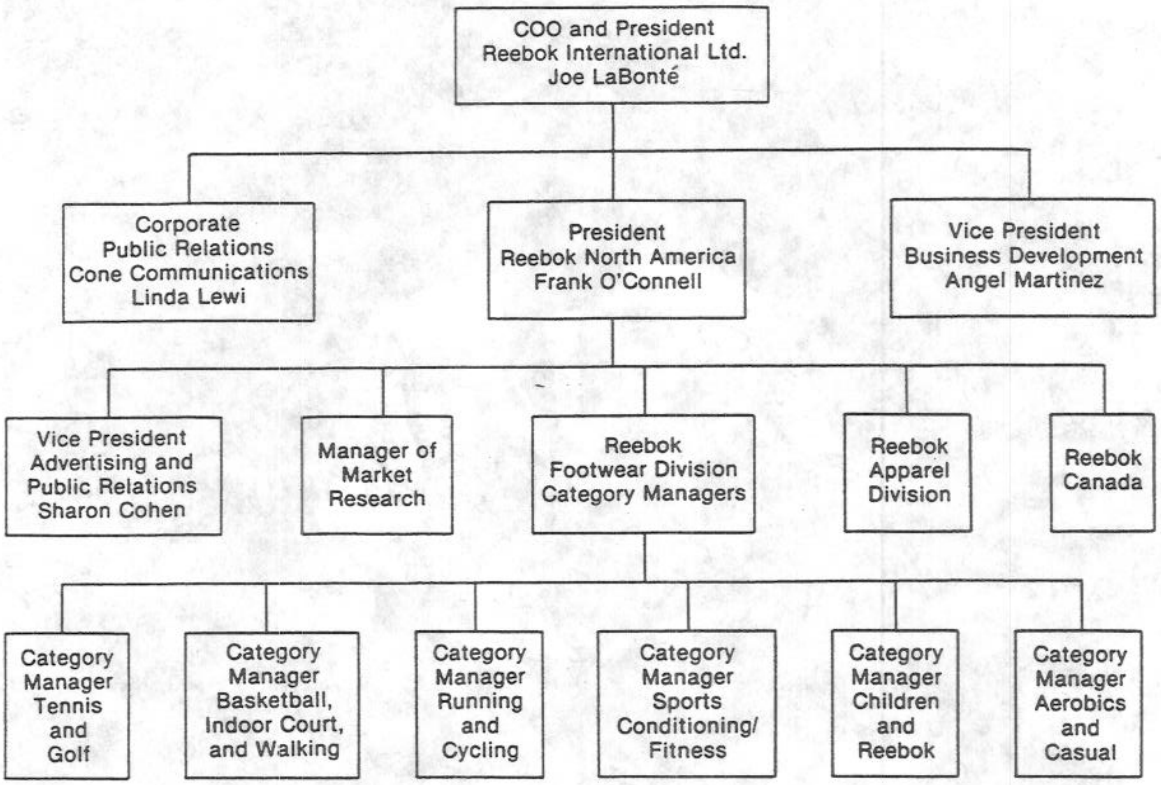


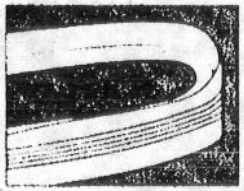
Exhibit 6 Reebok Footwear Division 1987 Advertising Budget ($ thousands)

Television	
Network	$ 6,354
Spot	2,107
Cable	222
Total TV	$ 8,683
Radio Spot	$ 179
Print	
Magazines	$ 7,475
Newspapers	166
Total print	$ 7,641
Outdoor and other	$ 350
Total	$16,853

Exhibit 7 1987 Reebok Trade Advertisement

REEBOK IS PERFORMANCE!

The DL Series. Introducing a cradle that won't rock.



Baby your feet in our DL Series running shoes with the new Dynamic Cradle™. It doesn't rock, but it sure feels good. And, it gives you the stability and motion control you need without taking away from the way your shoes perform.

Our cradle is a system of innovative features. First, there's a sturdy, molded PVC heel counter surrounded at the base by two "walls" of compression molded EVA. Horseshoe shaped, one wall wraps the rearfoot, the other extends to the forefoot. Filling the center of the shape is a softer, more compressive EVA. When you land, this system forms a cradle beneath your foot. This unique tri-density midsole provides the proper stability, support and cushioning needed for high mileage running without rocking.

You'll find Reebok's Dynamic Cradle™ in both the DL 8000 and DL 5000. To give the DL 8000 maximum cushioning, better energy return and longer wear, we developed an exclusive Goodyear Reebium™ outsole. A removable Shock Pad™ sockliner provides exceptional heel cushioning. DL 8000's poly-pig nubuk, Napa pigskin upper with poly-mesh toe box and tongue offers improved breathability, support and comfort.

Our DL 5000 provides unsurpassed durability and motion control. Its lightweight Indy 500 outsole by Goodyear offers excellent traction and durability. The VISA mesh nylon and pigskin upper of the DL 5000 maximizes support, comfort and breathability.

Try our DL Series with the new Dynamic Cradle™. It will rock the running world, but it won't rock you at all.

Reebok

Because it's not a spectator sport.

Exhibit 8 1987 Reebok Tennis Shoe Print Ad

WCT Finals, Dallas. First Game, Third Set.
"I think he argues to excite the crowd... They think he shows everything... He shows what he wants to show... I know he thinks it will break my concentration... I can't lose my head... I can't lose my rhythm... I must keep quiet and not forget about my game..."
6-0 3-6 6-2 6-2 – Miloslav Mecir
Reebok
Performance Tennis

Exhibit 9 1987 Reebok Basketball Shoe Print Ad

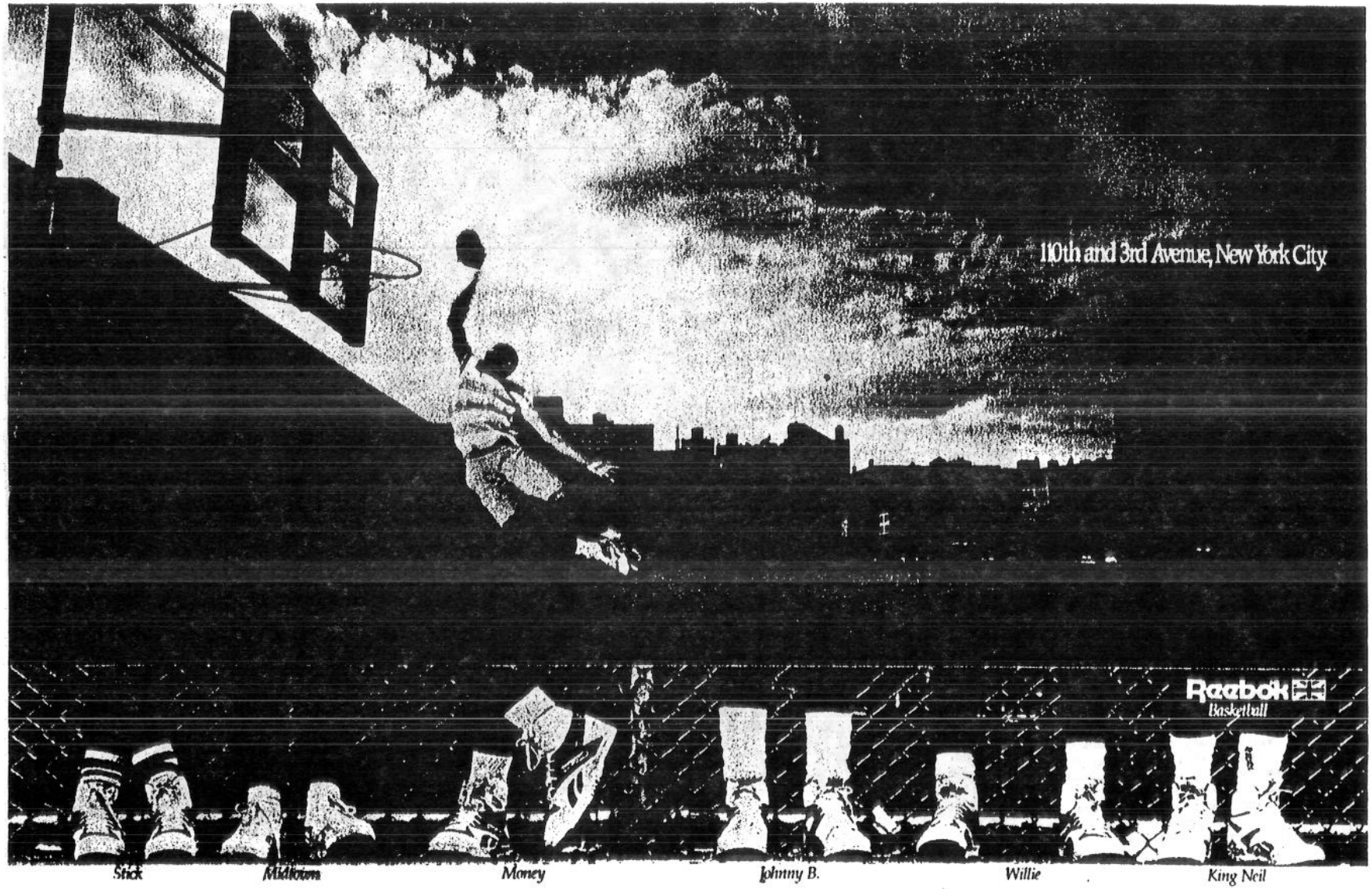


Exhibit 10 1987 Reebok Running Shoe Print Ad

Finish line. Pike's Peak Marathon. Manitou Springs, Colorado
It starts at 6300 feet above sea level. And ends at 14,000 feet, above the clouds.
Welcome to the Pike's Peak Marathon.
Nobody knows exactly how far it is from beginning to end. But from the Colorado sunshine at Manitou Springs to the sub-zero snowstorms at the Golden Stairs, the general consensus is about 13 miles. Call it 14 if you're having a good day.
Still, there are two points that everyone agrees upon. It's not a race you try on a whim. On a surface you take lightly on your feet. Which is why a lot of anxious runners prepare for it by lacing up our Cl 680 training shoes.
Their lightweight design won't drag you down on your way up. Rear heels 29 inches.
Their body-fit outsoles can withstand any type of punishment. Including a plunge down Devil's Cave's rugged embankments.
And their rubber mesh and nappa pigskin uppers allow your feet to breathe comfortably, under the scorching sun that gave Ascent Forest its name.
Of course, taking a mountain in two and a half hours might still cause nausea, dizziness, and shortness of breath. In which case, you might want to try a less mountainous terrain. Like mile 21 of the Boston Marathon.
But we're saving Heartbreak Hill for another story.
Reebok

Exhibit 11 1987 Reebok Aerobic Shoe Print Ad

Body developed by Kathryn Hamerski,
aerobic instructor, Minneapolis, Minnesota.
Foot support developed by Reebok.

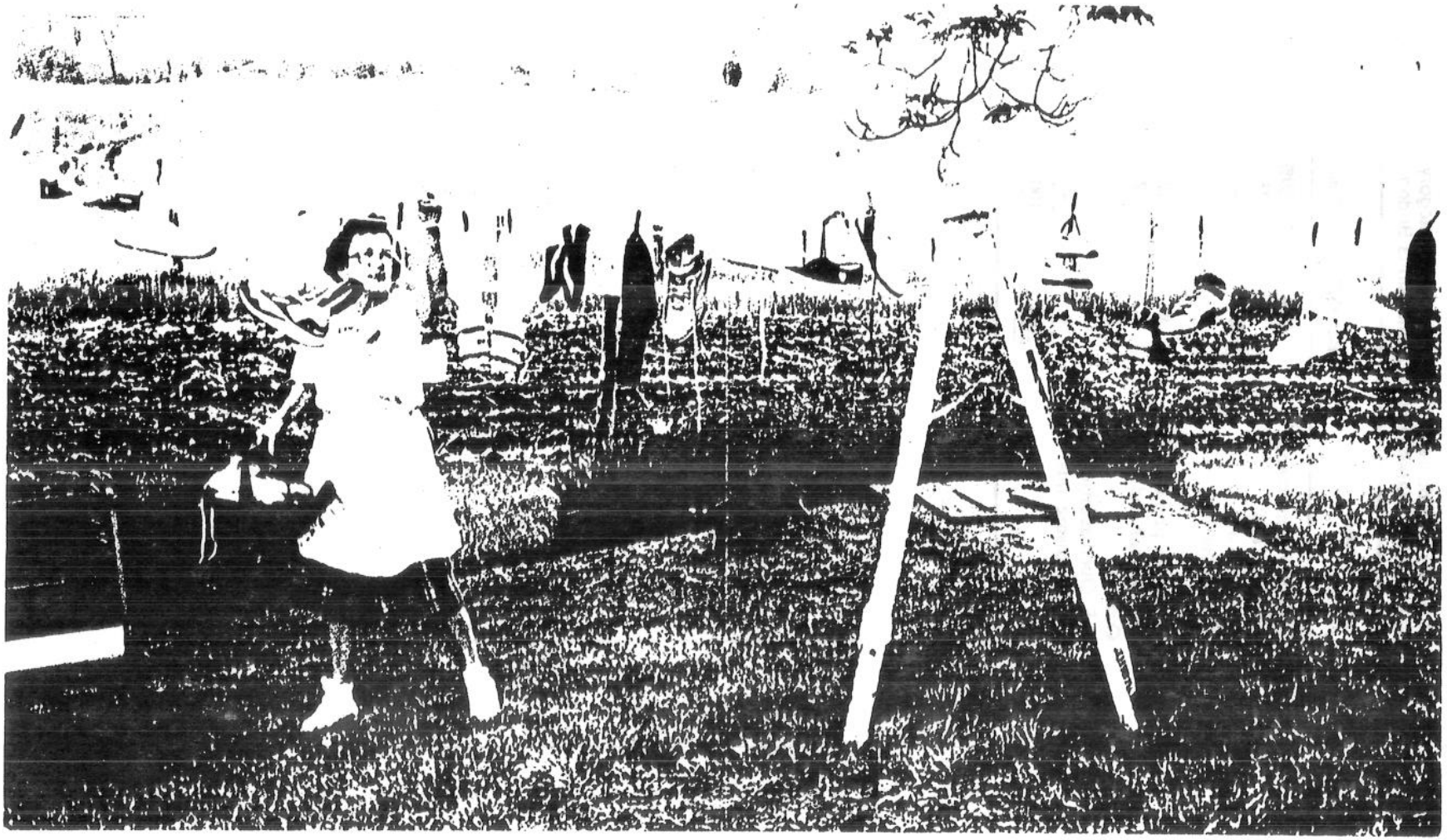
The new Aerobic 4000. With a raised Dynamic Cradle™ for mid and rear-foot stability. A new tubular outsole to cushion each point of impact. And polyurethane straps for lateral and medial forefoot control. Exceptional comfort. Essential support. Reebok

Exhibit 12 Reebok Ad from 1987 *Rolling Stone* Magazine Insert

Exhibit 13 1988 Tennis and Basketball Category Allocation of Marketing Communications Budgets

Communications Program	*Basketball*	*Tennis*
Athlete endorsements	32%	59%
Magazine ads	3	15
Television ads	37	–
Newspaper ads	4	–
Radio	5	–
Consumer promotions	8	12
Associations and clubs	–	7
Outdoor	5	–
U.S. Open sponsorship	–	7
Merchandising aids	6	–
Total	100%	100%

Exhibit 14 1988 "Reeboks Let U.B.U." Print Ad



REEBOKS LET U.B.U.

Reebok

Exhibit 15 1988 Reebok "Energy Return System" Print Ad

The revolution is over.

Introducing the Reebok Energy Return System.™

While Nike is singing the praises of their revolution, let us introduce you to something that really deserves the term.

The Energy Return System™ from Reebok.® E.R.S.™

This system actually saves a significant amount of the energy you put into running... and then returns it to you just when you need it most.

No other shoe has ever been designed to do this. That's why the Reebok World Trainer™ with E.R.S. actually returns up to 30%* more energy per millimeter of compression than either the Nike Air Max or the Tiger Gel 100.

What's more, this energy return is accomplished with no loss in either cushioning or stability. In fact, the World Trainer surpasses most shoes on *both* counts.

AIR, GEL AND E.R.S. EACH HAVE THREE LETTERS. THAT'S WHERE THE SIMILARITY ENDS.

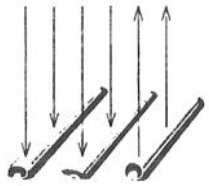
Lots of everyday objects have natural energy return systems. Springs. Pogo sticks. Diving boards. But no running shoes did.

The challenge was to put such a system into a running shoe that would propel the runner on his way.

Our Energy Return System is basically a series of tubes in the midsole. Six tubes under the ball of your foot. Four under your heel.

These tubes are made of one of the most resilient materials on earth. DuPont Hytrel.® It's the same stuff they make car bumpers out of.

When your foot strikes the ground, the Hytrel tubes store up the energy. As your foot rolls forward, the tubes return to their original shape and



release the energy.

Kind of like a spring being sprung.

A RUNNING SHOE AS FINELY TUNED AS A RACE CAR.

Timing is everything. In a high-performance engine. In a running shoe.

Fortunately, Reebok's E.R.S. can actually be 'tuned.' By regulating the size and position of the Hytrel tubes, we can make sure the energy release

is exactly synchronized with the forward motion of your foot.

Your energy is used instead of lost. Your running is more efficient because your shoe is more efficient. Imagine. A running shoe as efficient as a race-ready Porsche. It kind of deflates all that talk about Air.

E.R.S. IS THE NEXT LOGICAL STEP IN SHOE DESIGN.

Which means others will surely follow.

But leading the race is not an unfamiliar position for Reebok. For the first half of this century, the family that founded Reebok made the running shoe to beat. It was their shoe that went to the 1924 Olympics dramatized in 'Chariots of Fire.'

But we're not so foolish as to think we could create a revolution out of thin Air. Revolutions require bigger ideas.

Like giving power back to the people. Or in this case, energy back to the runner.

Reebok
Running Shoes.

The Reebok World Trainer.™
The first running shoe with E.R.S.™

Exhibit 16 Reebok Footwear Division, Proposed 1988 Advertising Budget Spending by Campaign ($ thousands)

Campaign	*Television*	*Magazines*	*Outdoor*	*Total*
"U.B.U."	$ 8,000	$1,900	$700	$10,600
Olympics	6,000	0	0	6,000
ERS	0	600	0	600
Total	$14,000	$2,500	$700	$17,200

Note: Budget excludes individual category communications budgets and Human Rights Now! tour budget.

An additional $1 million in sports-specific ERS print ads would be paid for out of individual category manager budgets.

Exhibit 17 Proposed Marketing Communications Budget for Human Rights Now! Concert Tour and Reebok Human Rights Award

Marketing Unit	*Proposed 1988 Budget*
Advertising	
Media production	$ 50,000
Radio and campus media	1,575,000
Logo development	15,000
Merchandising brochures	25,000
Tour posters	100,000
Satellite network	375,000
Promotional materials	125,000
TV/video animated logo	15,000
Total advertising	$2,280,000
Public Relations	
Press kits	$ 6,325
Clerk program/newsletters	65,000
Media relations	215,000
Parties	30,000
Ticket purchases	187,500
Press conferences	220,000
Radio	50,000
Human Rights Award	190,000
PR fees	250,000
Human rights education/campus program	251,000
Total public relations	$1,464,825
Promotions	
Retail clerk premiums/contests	$ 200,000
Athletes program	60,000
Celebrity network TV, etc.	100,000
Internal support program	50,925
Distributors	3,000
Total promotions	$ 413,925
Merchandising	
Product for tour musicians and VIPs	$ 92,650
Staff	175,000
Other	
Contingency	250,000
Legal and accounting	260,000
	$ 510,000
Total budget	$4,936,400

WHARTON REPROGRAPHICS

Harvard Business School

9-590-061

Rev. 11/17/92

Population Services International (Abridged)

The Social Marketing Project in Bangladesh

Population Services International (PSI) was a nonprofit agency founded in 1970 to help control the population explosion in many less-developed countries by disseminating family-planning information and products. In 1976 PSI concluded an agreement with the government of Bangladesh to carry out the Social Marketing Project (SMP), a program for marketing birth-control products through local retail outlets. SMP marketed two products: Raja brand condoms and Maya brand oral contraceptives.

Late in 1983 Philip Harvey (PSI's founder), Robert Ciszewski (PSI's executive director), and William Schellstede (project adviser for SMP) met at PSI headquarters to discuss 1984-86 marketing plans for SMP. They were concerned that while Raja sales had increased steadily over the past six years to 50.4 million pieces in 1983, Maya sales had declined from a high of 1.1 million cycles[1] in 1980 to 0.62 million in 1983. Both products had been promoted with similar marketing strategies. The approach was to reach consumers directly through an intensive mass media campaign backed by extensive product availability through Bangladesh's widely dispersed retail store network. Harvey explained the discrepancy in sales results:

> Our goal was to reach the largest number of people possible. We knew most of them were illiterate and did not have access to professional doctors or pharmacies. We built our entire program on two basic principles: motivate the consumer and motivate the trade. Many people were worried that our aggressive approach would desensitize a sensitive product category and take away the seriousness of family planning. On the contrary, we wanted to motivate the husband and wife to seriously and frankly discuss family planning with each other. What we achieved was a stunning success for Raja but a failure for Maya. People associate condoms with sex, but pills are associated with birth control; people think of a condom as an over-the-counter consumer product, while a pill is

Professor V. Kasturi Rangan prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. Abridged with permission.

Copyright © 1990 by the President and Fellows of Harvard College. To order copies, call (617) 495-6117 or write the Publishing Division, Harvard Business School, Boston, MA 02163. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means–electronic, mechanical, photocopying, recording, or otherwise–without the permission of Harvard Business School.

1. A cycle was a package of 28 pills.

perceived as a powerful drug. If anything, our marketing approach should have helped Maya more than Raja.

Population Services International

Philip Harvey and Timothy Black were graduate students at the University of North Carolina's Public Health Program when they founded PSI in 1970. Harvey had earlier worked for CARE (a nonprofit American agency involved in relief and development) in India for five years. Black had practiced medicine in Australia and New Guinea, specializing in family planning and midwife training. PSI was set up as a nonprofit agency with the fundamental objective of "disseminating family-planning information and marketing birth-control products to people who needed to avert births but did not know where to seek the information or products."

Though their first project concerned the prevention of unwanted teenage pregnancies in the United States, the population explosion in the less-developed countries (LDCs) was their prime motivation for founding PSI. Harvey reasoned that none of the poorer countries had enough medical personnel to treat the many diseases afflicting their people. He predicted that a diversion of these scarce resources to birth control would never work. Yet, "if contraceptive products like pills and condoms are made the leading vehicles of family planning," Harvey reasoned, "the entire society would be better off."

As a matter of policy, PSI was not involved in marketing clinical methods of birth control like intrauterine devices (IUDs) or male or female sterilization. PSI's managers described their business mission as follows:

> We are here to create the climate in which socially desirable products become part of the daily life of the marketplace. We would like to assure their distribution in efficient fashion so that their availability becomes routine and expected. The fundamental purpose is to facilitate the exchange between the buyer and seller so that the transaction is fruitful for both. The person who practices family planning with contraceptives purchased in a social marketing program is not a patient or client nor a recipient or acceptor. He or she is a consumer making a careful, prudent choice among many options available in the marketplace.

In 1973 PSI won a contract to initiate and implement a contraceptive marketing program in Sri Lanka. During the next five years, it received contracts to manage similar projects in Bangladesh and Mexico. For political reasons, PSI's involvement in the Mexican program was short-lived, but the Sri Lankan program was a tremendous success, especially in condom marketing. In 1976 Family Planning Association of Sri Lanka took over program management from PSI, leaving Bangladesh as PSI's only active program.

PSI was headquartered in Washington, D.C., and had a staff of six, including managerial personnel. Of the founders, Harvey continued as a board member. He did not involve himself in daily operations but was always active in strategy meetings. Black had resigned to set up a nonprofit family-planning organization in Ireland. Ciszewski joined PSI as project adviser on the Bangladesh project and was now the executive director at headquarters, handling most of the daily affairs of the company. Ciszewski's successor in Bangladesh was fired for "poor sales performance" after a brief stint on the job. Schellstede was the current project adviser.

The Social Marketing Project (SMP)

PSI completed an agreement with the government of Bangladesh in 1976 to carry out a program of family planning through social marketing. The objective was to use modern marketing techniques to sell subsidized contraceptives through commercial outlets. The agreement also defined the organizational structure and management process for SMP. Policy guidelines were to be provided by a project council consisting of a chairman and eight other members. The chairman was the secretary for health and population control for the Bangladesh government. The government nominated four more members to the council. Three council members were from PSI, USAID (U.S Agency for International Development), and UNFPA (U.N. Fund for Population Activities). The ultimate authority and responsibility for implementation were given to a general manager, who was appointed by the project council upon nomination by PSI. The general manager was a Bangladeshi national and the ninth member of the council. He was responsible for implementing strategy through a national sales manager, who had a network of eight sales offices. In all, about 300 people reported to the general manager. **Exhibit 1** gives a brief overview of SMP's organizational structure.

The three key constituents for policymaking were the Bangladesh government, USAID, and PSI. A brief description of their roles follows.

Bangladesh government The Bangladesh government was involved in population control both directly, through its various programs, and indirectly, through projects like SMP. Bangladesh, with a land area of 55,598 square miles (about the size of Wisconsin), a population of about 100 million, and a per capita income of US$120 a year, was one of the poorest countries in the world. With its GNP expected to grow at 3%-4%, the government did not expect near-term improvement in its people's standard of living. Further, with an annual population growth rate of 2.4%, its population was expected to exceed that of the entire United States by the year 2025. Since the economic and social consequences of such a scenario were devastating, the government of Bangladesh set for itself the goal of achieving zero population growth by 1995. At the same time, since 85% of its population were conservative Muslims,[2] the government had to consider their religious sentiments. The government closely monitored all aspects of all family-planning programs. It reserved the right to restrict any aspect of any program it thought sensitive. The government's role, then, was to encourage and promote, but closely supervise, family planning activity.

USAID This American agency was involved in the social and economic development of many LDCs. USAID funded family-planning programs in nine other LDCs. It funded almost all of SMP in Bangladesh. SMP revenues from contraceptive sales were US$423,000, but the contraceptives' cost was US$3.8 million and operating expenses in Bangladesh were US$1.3 million plus a US$417,000 service fee to PSI. USAID covered the resultant US$5.1 million loss.

PSI PSI was responsible mainly for devising marketing strategies, getting them approved by the project council, and implementing them through the general manager. Schellstede was located in Dacca (Bangladesh) and managed PSI's relationship with the project council and the general manager; Ciszewski managed the relationship with USAID in Washington. Both had extensive

2. Muslims practiced the religion of Islam. Koran was their holy book. Though several Islamic scholars argued that Koran did not take a stand on family planning, many mullahs (holy priests) of Bangladesh believed family planning was against God's will.

management experience with LDC development projects before joining PSI. PSI's relationship with the Bangladesh government was excellent; very few foreign agencies enjoyed the respect and rapport PSI had achieved. Ciszewski had taken tremendous care to understand, empathize, and work with the government bureaucracy. He described PSI's role:

> It's difficult and trying at times. Phil, Bill, I, and our other colleagues are in this for the fun of it. We get much personal fulfillment in being able to promote a social good, but let me tell you managing this project is awfully tricky. We don't control the project council or the marketing organization, yet we are responsible for devising a strategy and implementing it. We don't have any funds of our own. We are a small team at PSI, and we barely survive year after year. Frankly, it's not my salary that I worry about, it is the lack of funds for implementing new strategy. It's amazing how long and hard we have to lobby the members of the council and with USAID before we make any headway. Luckily, the general manager is our nominee; we see eye to eye on many issues. If we have an approved and implementable strategy, we are pretty much able to execute it.

Country Background

Bangladesh is a river delta located on the Bay of Bengal. The scarce resources of this already poor country were further threatened by unabated population growth. The 20 million couples in the fertile age group were the main targets of family-planning programs. Though family planning had the government's full backing, certain characteristics of the local environment made it challenging for the SMP to design its marketing strategy. Some of these factors were:

Culture and attitudes Most of the country's people lived in villages; only 9% lived in the cities. The literacy rate was about 27% among males and 12% among females.

In a national survey, only 6% of the respondents cited religion as the main reason for not adopting family-planning practices. Simple ignorance of birth-control methods and products was one reason for large families; others were linked to family economics and culture. Bangladesh did not have a system of social security or state pensions for its elderly; parents therefore depended on their sons for future security. Epidemics and natural calamities like monsoon floods and tidal waves claimed as many as 100,000 lives each year, hence families thought it prudent to have more than one son. Since daughters went away to their husbands' families after marriage, parents could not rely on them for financial support in their old age. On the contrary, the custom of providing a dowry (a sum of money) to the bridegroom's parents at the wedding made it economically sensible to have at least as many sons as daughters.

In a survey conducted by SMP (see **Exhibit 2**), many individuals appeared to understand the economic benefits of a small family. But in personal interviews they expressed confusion about where to draw the line between personal welfare and social welfare. The SMP survey also revealed higher awareness of family planning among urban dwellers and certain differences in the perceptions of men and women.

Buying/selling process Even though Bangladesh's economy was modeled on a central planning system, distribution and marketing were left entirely to the marketplace forces of supply and demand. An overwhelming bulk of life's necessities were bought and paid for in the market, and at prices the market demanded. About 20 tributaries of two major rivers crisscrossed the length

and breadth of Bangladesh, making transportation and travel extremely difficult. As a consequence, an intense network of local retail outlets had developed. Most of Bangladesh's retail trade was owned by small-scale entrepreneurs. They were financed by their wholesalers but conducted their sales on strict cash terms. Working capital was a constant problem; most retailers preferred quick inventory turns to high margins.

In 1983 contraceptives were sold in Bangladesh through a network of 30,000 pharmacies, 40,000 general stores (about half of them grocery stores), and 30,000 "pan" stores.

Pharmacies were usually in urban areas. Typically 300-400 sq. ft. in area, they sold a wide assortment of pharmaceuticals, drugs, and indigenous medicinal preparations. Most items (including birth control pills) did not require a doctor's prescription. The consumer usually went to the sales counter and asked for a product by name or described the general nature of the ailment. The salesperson would then suggest an appropriate product or brand. After the consumer had made a decision, the salesperson went to the store shelves to fill the order. Consumers were not allowed to select products off the shelves.

General stores were typically small, although larger ones existed in the cities. Most general stores were family-owned independent operations, not part of a chain. Not more than three or four individuals operated the store (including the owner). A typical store was about 400-500 sq. ft. in area and carried about 50 to 100 items. All product items were assembled, measured, and bagged by store personnel on order. As with the pharmacies, consumers were rarely, if ever, allowed into the shelf areas.

Pan stores were smaller versions of the general store, carrying soft drinks, cigarettes, aspirin, and other convenience items. In total, they carried about 25 to 30 product items. Most pan stores were small and in rural areas. One of the many fast-moving items sold by these stores was pan, an assortment of special spices and a specially prepared paste of calcium wrapped in a betel leaf. Among Bangladeshi men, consumption of pan was a habit as strong as, if not stronger than, drinking tea or smoking cigarettes. Other major sale items were cigarettes (often loose), aspirins, cookies, candy, local brands of soft drinks and local newspapers.

Pan stores operated out of temporary enclosures at street corners or other busy locations. They were typically 20 to 40 square feet in area and operated by one person, generally the owner, who sat behind the sales counter and deftly made pans to individual order, mixing and matching the right amount and variety of spices. Men gathered around pan stores to take a break from their routine. They exchanged news and information to the tunes blaring from a radio in the store. Pan stores were convenient socializing spots for men; women preferred to make and consume pan at home. Unlike pharmacies and general stores, pan stores were open until late at night.

Medical care system Bangladesh was served by 125,000 doctors, only about 5,000 of whom had formal medical education. These 5,000 had graduate degrees in Western, or allopathic, medicine. Most doctors had excellent credentials, spoke fluent English, and practiced and lived in urban areas.

In addition to Western-trained physicians in cities, about 20,000 spiritual doctors practiced mainly in villages. Their care was quite unscientific but nonetheless valued by their patients.

They wrote secret formulas, uttered special hymns, and claimed to invoke God's power in treating illnesses.

The rest of the country's 100,000 doctors were rural medical practitioners (RMPs), whose approach to medicine was a blend of modern and traditional methods. They were not trained in Western medicine and usually did not speak English, but they kept in touch with professional doctors and hospitals through a system of patient referrals. They had a working knowledge of common illnesses and drugs mainly through association with professional doctors whom they respected. RMPs dispensed either indigenous medications or allopathic drugs, depending on their diagnosis. They operated a few hours every day out of their offices; the rest of the time they made extensive house calls. An RMP participated in village community activities and was respected and regarded as friend, philosopher, and guide by many village people. RMPs did not charge a fee for consultation, but patients were expected to buy medications from them. Many carried a general assortment of medicines in a travel kit. Payment terms were flexible and generally included a number of installments, depending on the patient's financial capability.

Besides 125,000 doctors, there were about 25,000 field workers in Bangladesh, who disseminated information on family planning through hospitals, dispensaries, and shopping locations. They were educated and literate and were paid by the government or the social welfare agency employing them. They were not professional doctors, but they were well trained and motivated to communicate the social and economic benefits of family planning.

Family-Planning Activity in Bangladesh

The government of Bangladesh coordinated all family planning. It had no financial involvement in any program except its own. Family-planning communication and products were delivered through four distinct programs.

1. The government used the country's *hospitals, clinics, and dispensaries* to promote family planning mainly through a network of nearly 20,000 field workers. The network was fairly evenly spread throughout the country. The social workers also distributed free condoms and contraceptive pills. The government received its supply of contraceptives as a donation from USAID. It provided incentives for the country's 5,000 trained doctors to perform clinical birth-control procedures. Cash incentives were also provided to the field workers and consumers. Every sterilization procedure or IUD insertion was fully subsidized by the government. The direct cost of a clinical procedure was estimated to be about $5, and the cost of incentives to field workers and reimbursement to consumers about $10.

2. Various *volunteer organizations* sponsored education and communication programs on family planning and birth control. These volunteer agencies involved about 5,000 field workers, who promoted family-planning themes and benefits and referred interested couples to the appropriate medical facilities. Some organizations procured contraceptives from government or private sources and distributed them free of cost.

3. A number of *privately held pharmaceutical firms* marketed their own brand of oral contraceptive pills. Some of them had licensing arrangements and

collaborations with European and U.S. pharmaceutical firms. These companies sold their products mainly through the pharmacies. Their sales forces called on professional doctors and made systematic presentations on product benefits. Though prescriptions were not necessarily required to buy oral contraceptives, professional doctors wrote prescriptions or advised their clients to use specific brands.

4. The fourth program was *PSI's Social Marketing Project*, started in late 1977 to promote Raja brand of condoms and Maya brand of oral contraceptive pills.

Marketing Strategy for Raja and Maya

The name Raja was chosen for two reasons. First, "raja" in Bengali means "king" or "emperor." PSI's experience in Sri Lanka had indicated the need to create a positive, relaxed attitude for family planning. People did not respond well to messages highlighting the negative consequences of a large family. A king was associated with masculinity, bravery, and power. Raja therefore had a number of positive connotations. The other advantage of choosing the name Raja was its wide recognition. A popular pastime for men in Bangladesh was playing cards. Terms related to card games had high recognition among men; Bengali equivalents of king, queen, and jack were easily recognized. Moreover, the high level of illiteracy made it necessary to choose a brand name that could be understood pictorially. Raja fitted the requirements rather well. The only other widely distributed condom in the market was the Bangladesh government's Tahiti brand, which USAID donated to the government. A third brand, Sultan, was marketed by a private trader and was not widely distributed. Sultan means "king" in Arabic.

In Bengali "maya" means "magic," but the cultural translation was much more positive; people commonly interpreted Maya to mean beauty. Once again, the basic idea was to create a positive feeling and sense of optimism about the product. Maya was one of only two brands with a Bengali brand name.[3] The other important brands on the market were Ovastat, Lyndiol, Ovral, and Nordette. The Bangladesh government's pill, donated by USAID, had no brand name. In 1983 the total market for family-planning products was roughly divided as follows:

1.	*Condoms* (million pieces)		2.	*Pills* (million cycles)	
	a. Raja	50.0	a.	Bangladesh government	3.0
	b. Tahiti	25.0	b.	Ovastat	2.0
	c. Sultan	5.0	c.	Lyndiol, Ovral, and Nordette	2.0
	d. Durex	3.0	d.	Maya	0.6
	e. Others	2.0	e.	Others	0.2
	Total	85.0		Total	7.8
3.	*IUD*	75,000	4.	*Sterilizations*	300,000

USAID purchased contraceptives on contract from North American manufacturers and shipped them to the port of Chittagong. The SMP received contraceptives in bulk in an

3. The other brand was named Santi, meaning "peace." This pill was formulated by Dr. K.M. Hossain, who also owned a pharmaceutical factory. Dr. Hossain offered free consultations and advice on family planning and gave his clients a "100% guarantee" for his product. In its local market area, Santi had shown impressive growth in market share.

unpackaged, unlabeled form. It then transported them to a central warehouse at Dacca for repackaging and labeling. Both Raja and Maya were packed attractively, to get attention for the product and to add color and appearance to the retail store. Raja had three packaging formats: three pieces to a pack, 12 pieces to a pack, and 100 pieces to a pack. Pan stores generally bought the 100-piece pack and sold singles to customers. Maya was packed 28 pills to a cycle (21 birth-control pills and seven iron tablets). The products then were sent to seven subwarehouses for distribution to 22 wholesalers. The wholesalers sold to pharmacies, large general stores, and about 5,000 semiwholesalers or stockists. Semiwholesalers broke bulk and sold in smaller lots to pan stores and small general stores. Area sales managers were responsible for sales mainly to wholesalers; SMP's sales reps were responsible mainly for selling wholesaler's stocks to semiwholesalers. Some sales reps also sold to pharmacies and large general stores from wholesalers' stocks.

Wholesalers were either grain, cigarette, or pharmaceutical distributors. Semiwholesalers were more varied and included distributors of soap, tea, cookies, toothpaste, newspapers and magazines. When the SMP program started in 1977, some wholesalers and semiwholesalers distributed contraceptives solely as a national duty, but over the years they discovered that the financial benefits were quite adequate and had willingly participated in the program ever since. Wholesalers and semiwholesalers generally achieved 10 to 12 inventory turns per year on Raja; the retailers achieved five to eight turns. Inventory turns on Maya were five to six wholesale and three to four at the retail level. The price and margin structure for Raja and Maya are shown in the accompanying table.

	Raja (pack of 3 pieces)	Maya (1 cycle)
SMP's selling price	Tk.0.29	Tk.0.45
Wholesaler's selling price	Tk.0.31	Tk.0.49
Semiwholesaler's selling price	Tk.0.33	Tk.0.53
Suggested retail price	Tk.0.40	Tk.0.70

Note: 1 Takka = 4 cents

SMP's prices for Raja and Maya had no relation to the cost structure for the products. USAID's purchase cost for a pack of Raja was about 1.25 Takkas and for a cycle of Maya, 3.5 Takkas. Over and above product costs, if other marketing costs were added, the contraceptives were being sold at one-tenth their total cost.

USAID and other international donor agencies were willing to provide contraceptives entirely free to consumers, since they were already subsidizing the other nine-tenths, but PSI thought it important to charge a price mainly to convey a sense of value to the customer. Yet the prices had to be within the reach of most of the population. Reference points for pricing were provided by what consumers paid for a cup of tea, a box of matches, or a cigarette. SMP's prices provided adequate margins for the channel members, especially the retailer. A PSI manager commented, "By charging a price and providing a margin, we got 80,000 retailers to distribute the products. We could never have done it if the products were free."

One highlight of the strategy was the intensive communication support Raja and Maya received. PSI's approach was to skip all intermediate levels of influence, including doctors, and to go directly to the consumer. The basic approach was to create an atmosphere of fun and

happiness. The themes of "happy marriage" and "confident choice of the prudent family" were repeatedly communicated through radio, press, billboards, and posters. Sales promoters with megaphones carried out street canvassing, boats carried advertisements on their sails, and Raja and Maya T-shirts were distributed.

With an average spending level of US$400,000 per year, SMP was the second largest advertiser in Bangladesh. Raja and Maya received about equal amounts of advertising dollars. The media allocation for each product is shown in **Exhibit 3**.

Problems with Maya

After years of intensive promotion, it was quite clear that Maya was not as well accepted in the market as Raja. **Exhibit 4** shows the trend of CYP[4] shares for Raja and Maya. Since 1978, almost all growth in the condom market had come from Raja, while Maya was losing ground both to the government's free distribution program and to private brands. Ciszewski, the architect of the successful Raja strategy, was known to be a pragmatic manager open to new ideas. Almost immediately after Schellstede had taken up his job, Ciszewski had suggested in a letter:

> In Bangladesh we know that 80% of all products, including products for women, are purchased by men. Our surveys show that women are more prone to personal influence than men (see **Exhibit 5**). Bill, if you can think of a clever way to communicate to the man to buy Maya for his woman, we will be in great shape.

Six months later, Ciszewski wrote another letter:

> Bill, if you think we should discontinue Maya altogether and start from scratch with a new brand name, a new consumer segment, and a new communications program, don't hesitate to let me or Phil Harvey know. We are solidly behind you. We have had tremendous success with communication and distribution, but you can help us focus this strength for Maya.

Despite several such suggestions, Schellstede's responses from Bangladesh were lukewarm. "Either he disagrees with me totally or he is still learning his job," Ciszewski thought. Finally, after Schellstede had been on the job for nearly a year, Harvey decided to convene a strategy meeting in Washington. The purpose was to put together an action plan for improving Maya sales.

As the meeting got under way, the three PSI managers carefully pored through all the market data Schellstede had provided. Harvey spoke first:

> It seems strange that Raja should be more successful than Maya. Look at what Raja has to compete with: essentially free goods. The Bangladesh government gives away its products free, while we charge a price for Raja, yet we

4. CYP or Couple of Years Protection was a notion used to compare and quantify the benefits of different contraceptive methods. Based on frequency studies in Bangladesh, it was estimated that 100 condoms offered one unit of CYP in Bangladesh; 13 cycles of oral pills were equivalent to one CYP. One IUD insertion was equivalent to 2.5 CYP, and one sterilization was equivalent to 7.75 CYP.

> get a dominant share. Maya, on the other hand, is behind Ovastat in market share—and Ovastat is priced ten times higher than Maya. Lyndiol, Ovral, and Nordette are priced five to seven times higher than Maya. I can't believe that consumers in a poor country would want to pay more for products that are available cheaper!

Ciszewski responded:

> That may be the exact problem: We don't have the support of retailers for Maya. Other pills in the market give them sixteen times as much margin as Maya. We need to do something to motivate retailers better. There may be other problems with Maya, too. In informal conversations with many professional doctors, I was surprised to learn they thought Maya was a poor drug, though they were not able to pinpoint the exact reasons. When I told some of them that Maya was exactly Syntex's[5] Noriday, which in fact is stronger than Syntex's Normest, they were really surprised.

Maya's image problem was not restricted to professional doctors. Many RMPs also thought Maya was an inferior drug and many of them had advised their patients to discontinue Maya. An SMP field supervisor told this story in one of his field reports:

> I heard the other day about the mother of three children who went to Tayub Sahib (a respected RMP). The woman complained of backache and nausea. Tayub Sahib advised her to discontinue Maya. The woman replied that she was poor and could not buy English medicines, but she could obtain Maya free from the government dispensary. Tayub Sahib explained to her that what she was taking was not Maya, but the government pill that was somewhat better than Maya. All the same he advised her to discontinue the pill for 15 days and the woman politely replied that she would heed Tayub Sahib's advice and discontinue Maya.

Ciszewski was quite convinced that pricing, retail motivation, and image were important areas to be addressed in any new plans for Maya. With SMP's strengths and successes in mass media promotion with Raja, Ciszewski was quite confident of devising an effective Maya communication strategy. He proposed that the image problem be addressed by going directly to consumers with an effective communication strategy.

Though Schellstede agreed with the contents of the discussion, his analysis suggested a dramatically different action plan. He opened his files, pulled out some notes he had prepared and began to read:

> One factor of possibly great importance has been not having someone trusted to recommend Maya and to hold the hands of the new customer through the first cycles when side effects are most common and most likely to cause discontinu-

5. Syntex was a U.S. pharmaceutical firm that sold its contraceptive pill, Noriday, to USAID. Other pills in the Bangladesh market, such as Ovastat, were roughly equivalent to Syntex's Normest. USAID supplied Noriday to the Bangladesh government and the SMP. While the Bangladesh government packed and sold the pill in its generic unbranded form, the SMP repackaged the pill as Maya.

> ation. This *someone* could possibly be the doctor. We have consciously not tried to develop medical channels because of funding limitations. Whether anybody likes it or not, the RMP is the person to whom our target group actually turns for medical help. We have good reason to believe that because neither we nor the government have enlisted their help, they are quite happy to have contraceptives to blame for the many ill-defined but real aches and pains of being poor, hungry, and sick. Given this background, our sales of 50,000 cycles a month is no mean achievement, regardless of what anybody says. We should accept the RMPs for what they are—medical entrepreneurs—and help them improve the service they offer by detailing them with our products.

Schellstede's proposal, which was a reversal of the successful Raja strategy, worried PSI's founder considerably. Harvey summarized his thoughts:

> USAID evaluates us on cost effectiveness, so any strategy that increases our cost per CYP would be difficult to get approved. Moreover, we are a professional outfit, selling quality products for a social benefit. We should not as a matter of policy associate ourselves with untrained quacks.

Regardless of any decision that the three men might take, they would have to convince the project council of its usefulness. The council normally took a larger view of the project. Any additional costs would need justification, not merely in market share but in benefits to Bangladesh society. The council would need to know how many additional births would be averted[6] by the new program and how it would benefit the economy.

6. The CYPs were multiplied by a factor of 0.25 to arrive at the number of births averted. The reduction factor was an adjustment for fertility rates.

Exhibit 1 Organization Chart for SMP

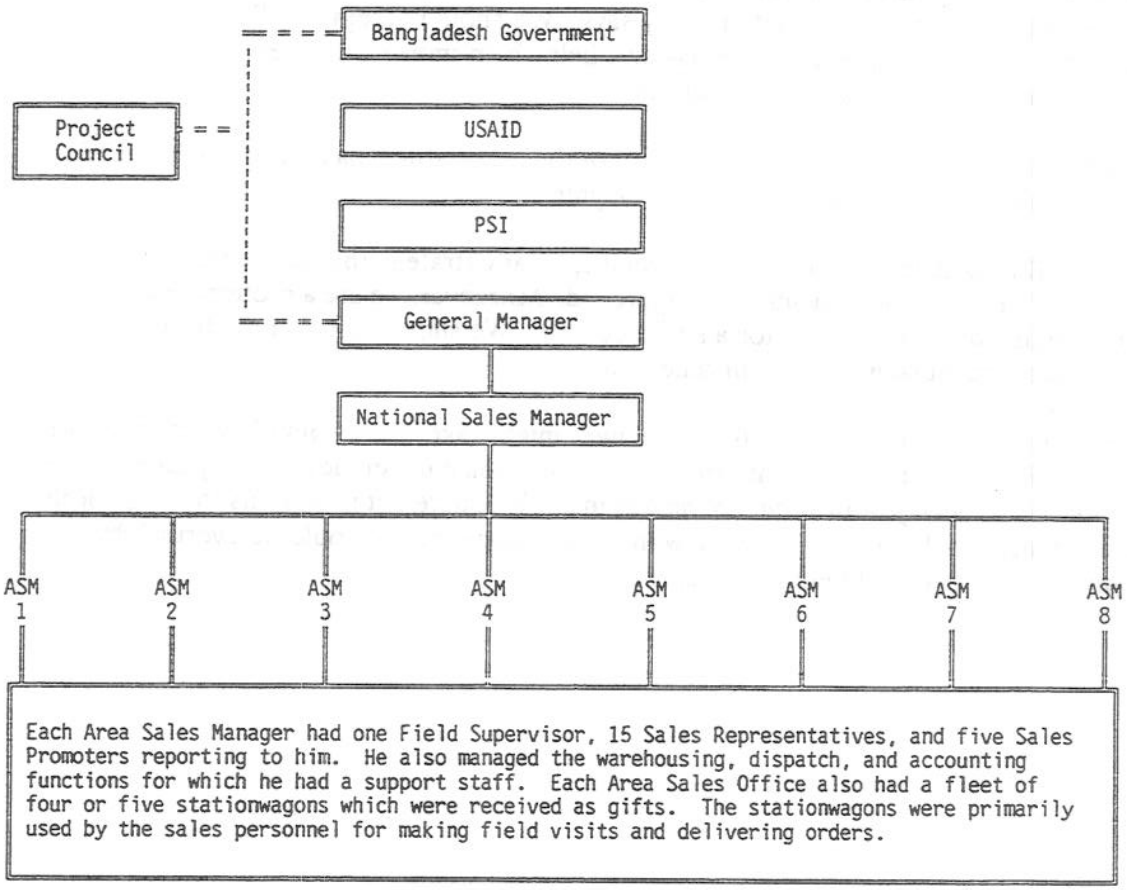

Bangladesh Government
Project Council
USAID
PSI
General Manager
National Sales Manager
ASM 1
ASM 2
ASM 3
ASM 4
ASM 5
ASM 6
ASM 7
ASM 8
Each Area Sales Manager had one Field Supervisor, 15 Sales Representatives, and five Sales Promoters reporting to him. He also managed the warehousing, dispatch, and accounting functions for which he had a support staff. Each Area Sales Office also had a fleet of four or five stationwagons which were received as gifts. The stationwagons were primarily used by the sales personnel for making field visits and delivering orders.

Exhibit 2 Specific Family Planning Meanings Mentioned by Participants in an SMP Survey

Specific Meanings Mentioned	Female		Male	
	Rural	Urban	Rural	Urban
Limit family size	48.9[a]	53.1	73.7	48.9
Have small/happy family	16.4	30.3	12.2	36.0
Stop having children	48.4	31.4	16.9	13.7
Two children are enough	2.7	5.7	8.5	15.8
Space childbirth	5.5	6.3	--	3.6
Preserve health of mother	20.1	21.7	3.3	2.2
Assure healthy children	2.7	1.1	4.2	5.0
Assure good health for mother and children	8.2	6.9	--	3.6
Assure good health for all	3.7	3.4	8.9	12.9
Assure food and clothing	58.0	57.1	32.9	38.8
Less poverty	21.5	19.4	33.3	43.2
Live within means	8.7	9.7	12.7	9.4
Saving for future	8.7	15.4	9.4	4.3
Avoiding subdividing property among children	8.7	1.7	6.1	3.6
Peace and happiness in the family	48.4	48.6	35.7	40.3
Happier family life	4.1	6.9	0.5	--
Assure education for children	42.0	62.9	17.4	53.2
Rearing children property	12.8	10.3	2.3	4.3
Number interviewed	219	175	213	139

[a]48.9% of the 219 interviewed, mentioned that "limit family size" was one of the meanings they got out of family planning communication.

Exhibit 3 Allocation of Advertising Expenditures by Media, 1983

	Raja	Maya
Radio	18%	20%
Newspaper	35	25
Cinema[a]	10	3
Poster/signboard	13	16
Point-of-purchase	18	20
Mobile film unit	6	6
Television	--	10
Total	100%	100%

[a]Movies screened in cinema theaters in Bangladesh generally had about 10 minutes of commercials at the start and another five minutes at half-time.

Exhibit 4 CYPs for Industry and SMP Products[a]

	Raja CYPs	Total Condom CYPs	Maya CYPs	Total Pill CYPs
1978	97,000	560,000	37,000	450,000
1979	173,000	330,000	78,500	370,000
1980	227,000	640,000	84,500	510,000
1981	316,000	590,000	54,000	480,000
1982	358,000	680,000	45,400	350,000
1983	504,000	850,000	47,800	620,000

[a]CYP or Couple Years Protection was a notion used to compare and quantify the benefits of different contraceptive methods. Based on frequency studies in Bangladesh, it was estimated that 100 condoms offered one unit of CYP in Bangladesh; similarly, 13 cycles of oral pills were equivalent to one CYP.

Exhibit 5 Sources of Messages on Family Planning

	Female		Male	
Mass Media Mentioned	Rural	Urban	Rural	Urban
Radio	85.5%	83.7%	88.2%	85.9%
Television	5.3	49.0	14.1	50.0
Cinema	1.3	12.5	7.1	18.5
Newspaper	1.3	16.3	5.9	37.0
Poster/signboard	7.9	17.3	10.6	27.2
Family planning worker/public contact	31.6	10.6	23.3	4.3
Number interviewed	76	104	85	92

[a]85.5% of the 76 people interviewed were made aware of family planning messages through the radio.

5 BURTON GREENOGRAPHICS

Harvard Business School

9-590-105
Rev. 1/21/93

Ad Council's AIDS Campaign (A)

Advertising Strategy

In early Fall 1987 representatives from the Ad Council, the American Foundation for AIDS Research, Inc. (AmFAR), the National AIDS Network (NAN), and Scali, McCabe, Sloves, Inc. met to review progress on their AIDS campaign. The objective of the new alliance between these groups was to develop a communication strategy that would prevent or curb widespread transmission of the AIDS virus through changing current behavior of high risk individuals by educating them in means of prevention. Their primary concern at this point was how to avoid problems an earlier campaign had encountered in gaining the cooperation of the media. In a campaign designed for New York City, Saatchi and Saatchi, one of the world's leading advertising agencies, drew heavy criticism and the television media refused to air their advertisements. One of the biggest barriers to the Saatchi and Saatchi campaign was the mention of condoms. This was ironic, because Dr. C. Everett Koop, Surgeon General of the United States at that time, had unequivocally stated:

> The best protection against AIDS, barring abstinence, is the use of a condom. It's high time we started using the word "condom" when we talk about AIDS. It's a word that can mean life and death.

Gary Verrill, the Scali, McCabe, and Sloves representative to the four member alliance, summed up the conclusions of the team:

> The need for a national AIDS campaign is a clear and compelling one. There is no vaccine to prevent the spread of HIV virus; there is no cure for those infected. Prevention, principally the basic modification of sexual behavior, is the only method currently at our disposal. It is clear that despite the millions of words written on the dangers of AIDS, the hundreds of hours of television time devoted to the subject, certain basic truths are not getting through. Time and time again advertising has shown that it can effectively change fundamental attitudes and that this will, in turn, lead to fundamental behavioral modification.

Janet Montgomery prepared this case under the supervision of Prof. V. Kasturi Rangan as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

Copyright © 1990 by the President and Fellows of Harvard College. To order copies, call (617) 495-6117 or write the Publishing Division, Harvard Business School, Boston, MA 02163. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of Harvard Business School.

In the course of their research, the team had developed a comprehensive advertising campaign to educate people at high risk for getting or transmitting the AIDS virus. But how were they to get media acceptance for the campaign? Was the campaign appropriate in the first place?

Group Members and Their Roles

AmFAR

The American Foundation for AIDS Research, Inc. (AmFAR) is a private, national, not-for-profit organization dedicated to finding a cure for AIDS. It is the primary source of private funding grants for research on AIDS in the U.S. This organization has a special interest in the younger, less prestigious researchers who might not qualify for government funding. AmFAR also serves as a source for accurate up-to-date information about AIDS and the AIDS epidemic for the public, government officials, and the media. In addition, it seeks to identify and address unmet needs in the areas of AIDS education and prevention.

NAN

The National AIDS Network (NAN) was established to be a resource, clearinghouse, advocate, and national voice for community-based AIDS education programs. NAN is aimed towards making a compassionate impact on people and serving the needs of local environments through information exchange, training, and minority program assistance. The agency has grown from representing 5 groups in 1985, to working with more than 550 community organizations nationwide in 1987.

Ad Council

The Advertising Council is a private non-profit organization of volunteers that conducts advertising campaigns developed voluntarily by leading advertising agencies for the public good. Over the years the Ad Council has run campaigns on subjects as diverse as child abuse prevention, drunk driving prevention, and Statue of Liberty restoration. The common thread of all Ad Council's campaigns is the promotion of independent volunteer action to address social problems.

Scali, McCabe, and Sloves, Inc.

Scali, McCabe, and Sloves, Inc., which is a part of the Ogilvy group, is the 18th largest advertising agency in the world, with billings of over $850 million. Among its highly regarded campaigns are those for Perdue chickens and Volvo cars. In the past, the agency had participated in public service advertising, having helped develop campaigns for The American Diabetes Association and NAN. It was the volunteer agency for the Ad Council's new AIDS campaign.

AIDS--The Facts[1]

Acquired immunodeficiency syndrome (AIDS) is the final stage of a disease caused by a virus known as human immunodeficiency virus (HIV). It is not a single illness but a syndrome in which the virus attacks the immune system destroying the body's ability to fight diseases. It destroys certain cells in the immune system and leaves the body susceptible to a host of diseases healthy people rarely get, including tuberculosis, severe diarrhea and rare forms of pneumonia. While earlier it was felt that the disease was restricted to homosexual men, intravenous drug users, and hemophiliacs, it is now accepted that heterosexual activity involving contact with semen, blood, or vaginal fluids of an infected person can also transmit the disease. It has, however, been clearly established that AIDS cannot be transmitted through casual contact such as hugging, touching, or sharing bathroom facilities with an infected person. The virus which appears to thrive on certain kinds of white blood cells dies quickly when exposed to air.

AIDS has no early warning signs. Persons infected with the HIV virus may feel and appear perfectly healthy for years until one day, the virus attacks and begins crippling the immune system and the brain. Infected persons, though physically normal for years, are capable of transmitting the virus to others, thereby increasing the threat of the disease. Some summary facts/statistics on the disease are:

- There is presently neither a cure for AIDS nor a vaccine to prevent it.
- 81,443 actual cases of AIDS have been reported in 173 countries worldwide.
- 56,212 (69% of total cases) have been reported in the U. S.[2]
- Between 5 and 10 million people are infected with HIV worldwide.
- Between 1.5 and 2 million are infected with HIV in the U.S.
- It is estimated that 1 in 30 people between the ages of 20-50 carries the HIV virus in the U.S.
- It is estimated that worldwide 179,000 will die of AIDS by 1991.
- By that time, the cost of health and support services for AIDS patients in the U.S. will range between 8 and 16 billion dollars.
- According to the Surgeon General, Dr. C. Everett Koop: "With proper prevention information and motivation, as many as 12,000 to 14,000 people could be saved *just in 1991* from death by AIDS, by protecting themselves from infection."

1. Material in this section is largely drawn from *New York Against AIDS (A)*, HBS #9-590-036.
2. This is based on statistics available in 1987. Updated information from the Massachusetts Department of Public Health (11/30/89) documents 115,158 cases reported in the U.S.

When asked, "What would you say is the most urgent health problem facing this country at the present time?" 69% of persons participating in a 1987 Gallup Poll responded "AIDS". However, that same Gallup Poll reported that 73% of 18-24 year olds, 90% of 25-29 year olds, and 95% of those over 30 years old *did not* use condoms. The poll concluded, "people recognize the threat of AIDS, but for their own reasons they do not take preventive measures."

Research on Awareness/Beliefs about AIDS

To gain insight into target population behavior, Scali, McCabe, and Sloves led discussion groups among counselors to people at high risk for AIDS (see **Exhibit 1** for a list of participating organizations). The objective of the research was to assess current awareness and attitudes of people at high risk, to determine levels of risk behavior, and to determine approaches and/or messages appropriate to each group. Important findings are summarized below.

Who are the people these counselors help?

A wide cross-section of people call in for counseling or come in for tests, not just individuals at high risk (see **Exhibit 2** for a break down on populations diagnosed with AIDS). Among them are married men, clergymen, divorcees, couples considering long-term relationships, partners of IV drug users, and people who are worried about risk behavior or sexual contacts recently as well as from the last ten years. For a large majority of them, this reflects a reexamination of current and past behaviors. However, IV drug users rarely come to counseling centers voluntarily. Instead they must be sought out.

IV drug users

IV drug users, as a target group, manifest a number of communications barriers. They form a separate culture on the fringes of society, but are not united and rarely share information on AIDS (as opposed to the gay community). They are becoming increasingly aware of AIDS, but deny personal risk. As drug users don't trust hospitals, social workers, or each other, they aren't likely to pay attention to the risks. "If I got it, I got it, and I don't want to know." The discussants reported that IV drug users don't care about themselves, and think that no one cares about them. So, even if they test positive, they won't change sex or drug patterns (in fact, they may take more drugs as a means of dealing with the problem). The group with the fastest growing infection rate, IV drug users usually request services only when symptoms appear.

Homosexual men

The group with the highest rate of infection, homosexual men are still at great risk from AIDS. Fortunately, this group also has the highest level of education about the disease and prevention. However, even though the gay community has for many years worked together for education, many individuals across the country are not yet using preventive measures.

Bisexual men

Bisexual men are an easy group to reach, according to the discussants. They are well aware of the risks and are motivated by concern to protect their partners and wife/family. However, they are uncertain about how to suddenly start using condoms at home without arousing suspicion and for this reason often decide not to broach the subject at all.

Minorities

The discussants suggested that minority men and women who came for counselling appeared to be ignorant of risk factors, and less likely to educate themselves on behavioral risks in comparison to the rest of the counsel-seeking population. Cultural/community practices and pressures often made behavior changes harder to implement. According to the research, a higher proportion of minority women (in comparison to the rest of the the population) felt that they could not be assertive enough to demand use of condoms. The research also concluded that a high proportion of minority men generally felt condom use was not part of their concept of masculinity. Denial was especially high in this group.

Heterosexually active women

AIDS is now one of the leading causes of death for women in their twenties. Unfortunately, women in general (and minority women in particular) are afraid to force or even bring up the subject of condoms with their partners. Most women are convinced that their partners will refuse to use condoms. Because of fears of losing their lovers or ending up alone, women are reluctant to say no to unprotected sex. As with other groups, women tend to deny their risks. A recent study in the *New England Journal of Medicine* (March 1990) shows that although the percentage of college women using condoms has doubled in the last four years and tripled since 1975, still less than 50% use condoms. 52% reported having had two to five partners; 21%, six or more partners. These figures on number of partners reflect little change since 1975. College women are begining to protect themselves, but have not changed sexual behavior patterns.

Teens

The 20-29 age group segment shows rapid growth in percentage diagnosed with AIDS. As the HIV virus has an incubation period (the time between infection and the appearance of symptoms) of up to 15 years after infection, this group probably contracted the virus while in their teens. In a 1982 study, the National Survey of Family Growth, disclosed that 45% of teenagers (15-17) were sexually active. A more recent study revealed that 51% of 15 year-olds are sexually active. 40% of that group reported having had sex with three or more partners. Less than 30% of teens polled by Gallup in 1987 use condoms. The discussants stated that teens have a low level of understanding about prevention. In addition, peer pressure encourages drug experimentation/use.

Heterosexually active men

The discussants felt that middle class white straight males are the hardest target group to reach. These men firmly believe they won't get AIDS (denial). Most will not take

responsibility for having safe sex, believing that this, like birth control, is the women's responsibility. Straight men tend to resist condom use because they believe it interferes with sex, is not pleasurable, or simply because they don't know how to use condoms. Of those who have in the past patronized prostitutes many still do, and generally do not use condoms. In such cases they ask the prostitute if she has AIDS, then if she says no, they will have sex unprotected.

Basic patterns—why behavior hasn't changed

The discussants believed that behavior patterns have not changed because safe sex is perceived as not spontaneous, not fun, and clumsy. Denial is a shared factor between high and low risk groups. "It won't happen to me" is a common expression of denial of risk factors and a rationale for not changing behavior. Many people (even those in high risk groups) still believe that women are immune and that sex with one partner is safe. Many other myths/misperceptions persist:

"AIDS is limited to gays/drug abusers."
"I don't feel sick/look sick, so I don't have AIDS."
"He/she doesn't look sick, so he/she must not have it."

Abstinence

The discussants also agreed that "don't do it" is not an appropriate message. Although abstinence is still the most effective method of preventing the spread of AIDS, it does not seem to be an alternative most Americans are likely to choose. Abstinence from sex is not a realistic expectation (people will continue to have sex, with or without condoms). In a 1982 study, the National Survey of Family Growth showed that **86%** of Americans between the ages of 14 to 44 are sexually active. A more recent study of women only (by the Alan Guttmacher Institute) shows that **76%** of American women over 18 years old are sexually active. Abstinence from IV drug use is an even less acceptable message to the drug users. They will not respond to such a message; their addiction makes it physically impossible to "just say no."

Program Formulation

In assessing the data from these discussion groups Scali, McCabe, and Sloves began to formulate an advertising strategy. Through their campaign on education in preventive methods, they sought to prevent or curb widespread transmission of AIDS by effecting a change in current behavior of high risk individuals. They identified three primary target groups: 1) IV drug users and their partners, 2) Homosexually active men, and 3) Teens. Sub target groups included Blacks and Hispanics (higher incidence in this group compared to the rest of the population due to higher incidence of IV drug use) and sexually active heterosexuals (who have sex with unknown partners, with partners in high risk group, or without prevention).

Scali, McCabe, and Sloves set up two sets of behavioral objectives. For the IV users the objectives were:

1) Use sterile works or clean works properly.
2) Do not share needles.
3) Stop using IV drugs.

For sexually at risk target groups the objectives were:

1) Proper use of a latex condom during homosexual or heterosexual encounters.
2) Abstinence.

The Ad Council Campaign

Television

The television campaign consisted of four thirty second spots that targeted specific viewer populations (see **Exhibit 3**). All four featured frank, honest information:

"How I Got It" addressed the misperception that people with AIDS didn't look sick. It concluded with the narrator (a pleasant looking woman of about 30) saying "that's how I got it," referring to unprotected sex.

"Macho," concerned with condom use, was aimed at Hispanic young men. It featured a teenager at his brother's grave, saying that his brother felt using condoms was not macho.

"Baby" and "Vilma" both asked women to consider the consequences of passing on AIDS to their unborn children. Both "Baby" and "Macho" were recorded in English and Spanish.

For the purpose of making the spots more tailored to specific viewers, Scali, McCabe, and Sloves further divided the audience by target age group: teens, young singles, and newly single (30+). This made it less likely that younger people would hear or see messages inappropriate to their level of maturity.

Ad Council made very specific program recommendations so that their message would be sure to reach target audiences. Even though Scali, McCabe, and Sloves designed the spots to be acceptable to all ages and time slots, their recommendations reflected careful thought. For the teen audiences, they suggested that "Macho" and "How I Got It" run during the early fringe and prime time; during shows like "Head of the Class," "21 Jump Street," and MTV. To reach the young singles audience, prime time and late night shows like "Moonlighting," "David Letterman," and "L.A. Law" were recommended spots for all four ads. For the newly single category, all but "Macho" were suggested for such programming in prime time and late night spots as "Dynasty," "thirtysomething," and "the Tonight Show." Such special uses of television spots as movie houses ("Macho," "How I Got It," and "Baby"), College television ("Macho,"How I Got It,"), and closed circuit television (all) were also considered.

Radio

The radio campaign also included four spots with specific messages aimed at specific audiences (See **Exhibit 4** for the text of these spots):

"Under 20," with that target audience in mind, stressed the dangers of presuming that sex is safe and made the point that symptoms could take many years to appear.

"Healthy," designed for all age groups, pointed out that the infection was not always obvious, warning the audience that appearances could indeed be deceiving.

"Reasons," aimed at the young single/newly single audience, addressed major concerns regarding condom use. Both "Healthy" and "Reasons" were recorded in English and in Spanish.

"Vilma," an actual testimonial from a mother who had an AIDS infected baby, was targeted at women of child bearing age.

As with the television campaign, program recommendations made it more likely that the messages intended for a specific target group reached that audience. "Under 20" and "Healthy" were especially recommended for stations or time slots that featured a Top Hits, or Urban Contemporary format. "Healthy" and "Reasons" were advised for the young single market catered to by stations or shows that carried a Classic Rock, Soft Rock, or Urban Contemporary format. Formats like News/Talk, Soft Rock, Classical and Urban contemporary with Newly Single listeners also made good slots for "Reasons" and "Healthy." "Under 20," "Reasons," and "Healthy" were all promoted for college radio stations, and all were recommended for store radio networks (as in supermarkets and drug stores).

Press

The press campaign featured ads similar to those on television and radio (see **Exhibits 5A-5E**), all available in both English and Spanish.

"Everything," like "Under 20," provided general information about prevention and lack of early warning signs.

"You Look Like You Have AIDS" conveyed the message that appearances could be deceiving.

Another advertisement, "Using it won't kill you, not using it might," directly advocated the use of condoms.

One of the ads aimed towards women of childbearing years featured a pregnant woman, with the headline, "One of the scariest things about the AIDS virus is who you can pass it on to."

Another aimed at the same audience stated, "Any woman who wants a baby should use them," referring to condoms.

Here again, placement recommendations were tailored for different print media. Teen-slanted copy ("Everything," "You Look...," "Won't Kill You") were put forth for sports and entertainment sections of newspapers, as well as teen magazines (i.e., *Tiger Beat*, *Right On*, *For Seniors Only*), with "Any woman..." added for magazines like *Seventeen*, *Teen*, and *SASSY*. The young adult market was divided: all ads were suggested for general audience magazines like *Time*, *Newsweek*, *Jet*, and *TV Guide*; women-target ads plus "Everything" and "You look..." for *Cosmopolitan*, *Working Woman*, *Good Housekeeping*, et. al.; all not woman-centered ads for *GQ*, *Playboy*, *Car & Driver*, etc. For the Newly Single category, newspapers, newsweeklies, business magazines, and science magazines were suggested. Ad Council also targeted Spanish language magazines (all ads) to reach Hispanic audiences.

New York Against AIDS: What Went Wrong?[3]

Saatchi and Saatchi's "New York Against AIDS" campaign was aimed at preventing the spread of AIDS amongst heterosexuals in New York City through educational advertising. It presented a bold message on the use of condoms in prevention, summed up by the tagline "**AIDS. If you think you can't get it, you're dead wrong.**" The messages, primarily targeted towards heterosexual women, were designed to be hard-hitting and provocative. While radio and press spots gained acceptance, the three major television networks (ABC, CBS, and NBC) refused to telecast most of the commercials. They claimed the ads overemphasized sex and condoms, which would offend their viewers.

The three TV spots stressed condom use in different ways. "So Can You" portrayed a young couple kissing; the woman pushes the man away gently and hands him a condom. When he refuses to use it, the announcer says, "If he can say no, so can you." "Going out" showed an attractive young woman dressing to go out, with a James Taylor song in the background, "don't say yes," (she picks up a condom and puts it in her purse) "but please don't say no." "Mother" featured a middle-aged black woman addressing the audience directly, talking as if to her daughter,"I hate the idea of you doing things you're not ready for, but listen, if you're doing anything, you use one of these" (she holds up a condom). This advertisement was percieved as less offensive by NBC and CBS, so they agreed to run it after 11:00 pm.

Objections to those ads came from all sides. Religious leaders complained that the campaign promoted condoms and casual sex. "The ads portray an out-and-out endorsement of sexual promiscuity and mislead people into thinking that there is such a thing as safe sex." (John Woolsey, director of the Office of Christian and Family Development for the Archdiocese of New York, *UPI*, 5/12/87) Women's groups felt the ads put the responsibility for prevention on women alone. "Put the emphasis for prevention where it belongs. On men too." (*New York Times* 8/8/87) Some debated the efficacy of condoms in prevention and the credibility of the threat to the heterosexual community. "The upshot is that AIDS remains primarily a homosexual disease." (*New York Post* 10/27/87) Though the campaign had it supporters, its vocal detractors kept up their complaints despite Saatchi and Saatchi's attempts to answer them. The exasperated social marketing consultant to the campaign remarked,

> It is high time the media gave up its marketing orientation. It has a responsibility beyond drawing an audience and a revenue; at times it has to perform the role of proactively influencing society on social issues like AIDS. We have enough religious institutions in our country to anchor our society's conservative values, we don't need one more stumbling block to solve our problems of the future.

Decisions

The four members of the alliance knew it would be impossible to please everyone as certain delicate facts could not be compromised if the message was to be effective. They wondered what to do next.

---

3. Information contributing to this section was drawn from **New York Against AIDS (A) and (B).**

Exhibit 1 Primary Research/Ad Council AIDS Project/Discussion Groups/ Conducted September 10, 14, 15

Participants

New York City Department of Health AIDS Institute
- Olga Mejia (Harlem)
- Ann Courrier (Queens)
- Debra Decarlo (Queens)

New York City Department of Health AIDS Hotline
- Jenny Gunnell, Phone Counselor
- Gail Riviera, Phone Counselor
- Don Triose, Phone Counselor
- Romeo Sanchez, Phone Counselor

New York State Narcotics and Drug Research
- Dolly Worth NYU/NY State Narcotics and Drug Research

New York Blood Center
- Kathy Tendler, Nurse/Counselor

Gay Men's Health Crisis
- Cora Deuchman, Phone Counselor/Table Organizer
- Andy Stubbs, Phone Counselor/Table Organizer

Greenwich House
- Warren McClendon, Counselor
- Kathy Coda, Counselor

Community Health Project
- Denise Rebble, Counselor
- Mark Howard, Counselor
- Gail Spindel, Counselor

Project Return
- Essie Hall, Nurse/Counselor

Exhibit 2 The Population with AIDS: Numbers and Percentages (U.S.)[4]

	Number	Percent
Total Cases as of 11/30/89	115,158	
Transmission Categories (Adults)	113,211	
Homosexual/bisexual Male	68,567	61%
IV drug user	23,722	21%
Homosexual male/IV drug user	7,923	7%
Hemophilia	1,047	1%
Heterosexual[5]	5,457	5%
Transfusion blood/components	2,768	2%
None of above	3,727	3%
Transmission Categories (<13 years)	1,947	
Parent with AIDS/at risk	1,572	81%
Hemophilia	104	5%
Transfusion blood/components	208	11%
None of above	63	3%
Breakdown by Group		
Gender		
Male	103,902	90%
Female	11,256	10%
Race		
Caucasian	64,618	56%
Black	31,514	27%[6]
Hispanic	17,885	16%[7]
Other/Unknown	1,141	1%
Age		
Under 13	1,947	2%
13-19	447	0%
20-29	23,498	20%
30-39	53,174	46%
40-49	24,347	21%
Over 49	11,745	10%

4. Information for this Exhibit was taken from The Massachusetts Department of Health *AIDS Newsletter*, December 1989.
5. The current number of heterosexually transmitted AIDS cases is comparable to the number of homosexually transmitted cases five years ago.
6. Afro-Americans make up only 12% of the population at large.
7. Hispanic Americans make up only 7% of the population at large.

HELP STOP AIDS. USE A CONDOM.

AMERICAN FOUNDATION FOR AIDS RESEARCH

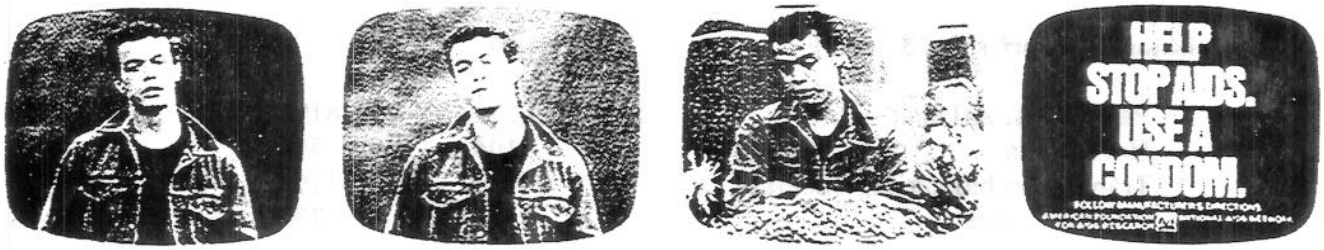
NATIONAL AIDS NETWORK

Please discontinue use:
September 30, 1989.

"HEALTHY" :30 CNAD-8130

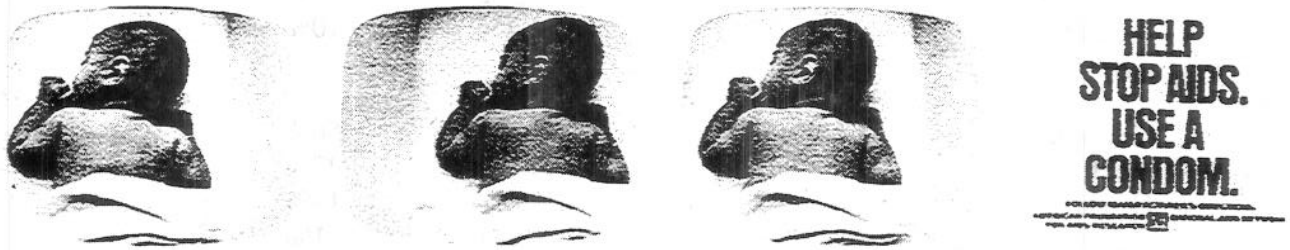
WOMAN: You might think people with the AIDS virus look sick. But most don't. It can be years before the symptoms show up. So, if you have sex, don't take any more chances than you have to: Use a condom. Because you can get AIDS from someone who looks perfectly healthy. That's how I got it.

"MACHO" :30 CNAD-8230 (Also available in Spanish)



MAN: My brother wouldn't listen to me. I told him: "You have sex, you use condoms so you don't get AIDS." He laughed and said condoms weren't macho. My brother: He was so macho.

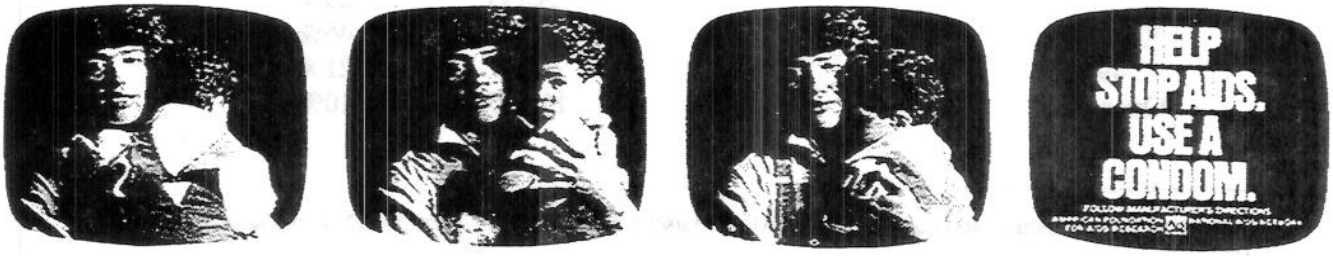
"BABY" :30 CNAD-8330 (Also available in Spanish)



ANNCR: (VO) This baby started life with little chance of living it. He was born with the AIDS virus. At some time in the past, one or both of his parents just weren't careful: Didn't use condoms, and caught the virus, then passed it on to him. If you don't use condoms because you're not worried about getting AIDS, try worrying about who you can give it to.

(Spot contributed to the Advertising Council by AIDSFILMS, a non-profit organization.)

"VILMA" :30 CNAD-8430



MOM: I have AIDS. And my baby has AIDS. My husband may have it, but he won't go to the doctor. In the beginning, he wouldn't even talk about it. My mother helps us, but sometimes I think she's afraid. Every night I kneel by my baby's crib and pray to be strong for him. Every night I pray that my baby won't die. ANNCR: (VO) Protect people you love. Use a condom.

A Public Service Campaign of the Advertising Council

Volunteer Coordinator: Aubrey Hawes, Vice President, Corporate Director of Advertising, Chase Manhattan Bank, N.A.

Volunteer Advertising Agency: Scali, McCabe, Sloves, Inc.

Ad Council

590-105

EXHIBIT 4

The Advertising Council inc

Please discontinue use: January 15, 1990.

AIDS PREVENTION CAMPAIGN
On behalf of the American Foundation for AIDS Research & the National AIDS Network

Radio - As recorded text - "Reasons" :60

SFX: TRAFFIC NOISES UNDER INITIAL VOICES
MAN: They kinda cramp my style.
MAN: It's embarrassing to buy them.
MAN: It's just not the same, y' know.
WOMAN: I'm afraid to bring it up, 'cause I'm worried my boyfriend'll get turned off.
WOMAN: It can sound like you don't trust him.
MAN: I mean, they're not the most romantic things in the world, are they?
ANNCR: There are a million reasons for not using condoms, none of them as good as the reason you should. Because if you're going to have sex, a latex condom with spermicide is your best protection against the AIDS virus: a virus that's already responsible for more than 30,000 American deaths. And that number will almost double in just the next few years. Because there is no cure for AIDS. You can't walk into a store, but some medicine, and get over it. But you can walk into a store, buy some latex condoms, and use them. After all, using a condom won't kill you; not using one, might.
ANNCR: A public service message from the American Foundation for AIDS Research, the National AIDS Network, and the Ad Council. Use condoms according to manufacturers' directions.

Radio - As recorded text - "Healthy" :60
MAN: You look like you have AIDS. You have all the signs. You look perfectly healthy. You feel fine. And so do most of the people who have the AIDS virus. In fact, most people who are infected don't even know it. They don't look sick, they don't feel sick. It can take as long as ten years for symptoms to start showing up. Yet, because these people seem healthy, they think there's no reason to be careful. So, they don't use latex condoms and spermicide and the AIDS virus continues to spread. Don't be fooled by appearances. If you have sex, avoid unnecessary risks. Help stop AIDS, use a condom. Help stop AIDS, use a condom.
ANNCR: A public service message from the American Foundation for AIDS Research, the National AIDS Network, and the Ad Council. Use condoms according to manufacturers' directions.

Radio - As recorded text - "Under 20" :60
MAN: If you're under 20, you might think you don't have much chance of getting AIDS. And with good reason. After all, how many people your age do you know who are sick with it or who died from it? Probably none. That can make you feel nice and safe. Only one problem: after someone catches the AIDS virus, it can take as long as ten years for them to even start feeling sick from it. So, you should look at how people 20-25 years old are doing and, once you do

-continued-

The Advertising Council Inc

EXHIBIT 4 (cont.)

Please discontinue use: January 15, 1990.

AIDS PREVENTION CAMPAIGN

Radio - As recorded text - "Under 20" :60 CONTINUES:

that, you won't feel too safe anymore. Because that age group has the fastest growing number of people dying from AIDS. If you're interested in seeing what the other side of 25 is like, there are a few things to keep in mind: Don't shoot up, needles can spread the AIDS virus. And, if you can't say no to sex, make sure you use a latex condom with spermicide. Because, while people under 20 can get AIDS, there's no reason you have to be one of them.
ANNCR: A public service message from the American Foundation for AIDS Research, the National AIDS Network, and the Ad Council. Use condoms according to manufacturers' directions.

THE THREE SPANISH LANGUAGE PSAS -- "MOTIVOS" :60, "TIENE BUEN ASPECTO" :60, AND "MENOS DE 20" :60 -- ARE ALL TRANSLATIONS OF THE FOREGOING ENGLISH SPOTS.

EXHIBIT 5A

EVERYTHING YOU DIDN'T WANT TO KNOW ABOUT AIDS. BUT SHOULD.

To start with, you don't have to be gay or a drug user to get it. AIDS has hit these two groups hardest because the AIDS virus hit them first, before anyone knew why or how people should protect themselves from it.

And the virus is spreading. Scientists report that about one and a half million people are already infected.

You can't tell who has it and who doesn't. Most people who have the AIDS virus don't even know it. They don't look or feel sick. It can take up to ten years for symptoms to show up. So people who seem perfectly healthy can pass the virus on to others.

HOW IS IT PASSED ON? One way is shooting up drugs with someone who's infected and sharing the needle. But most people catch the AIDS virus **THROUGH SEX.** A woman can catch it from a man. A man can catch it from a woman. A man can catch it from a man.

Obviously, the surest way to avoid the virus is to avoid sex. If you do have sex, **YOUR BEST PROTECTION IS A LATEX CONDOM** with spermicide. Use them every time, from start to finish, according to the manufacturers' directions.

You can ignore these precautions only if you and your partner have been together for at least 10 years, and both of you have been totally faithful.

Otherwise, **DON'T MAKE ANY EXCEPTIONS.**

Because the one time you do can be the one time you shouldn't have.

HELP STOP AIDS. USE A CONDOM.

AMERICAN FOUNDATION FOR AIDS RESEARCH

Ad Council — A Public Service of This Publication & The Advertising Council

NATIONAL AIDS NETWORK

© 1988, The Ad Council.

AIDS CAMPAIGN
NEWSPAPER AD NO. AIDS-88-1377—TABLOID

EXHIBIT 5B

YOU LOOK LIKE YOU HAVE AIDS.

You have all the signs. You look perfectly healthy. You feel fine.

So do most people who are infected with the AIDS virus. In fact, they don't even know they're infected. It can take as long as ten years for someone with the virus to actually develop a full-blown case of AIDS. Even then, some people still appear healthy.

And because a lot of people with the virus think they're healthy, they aren't careful when they have sex. Neither are their partners. They don't use condoms. And the AIDS virus continues to spread.

But it doesn't have to spread to you. If you have sex, use a latex condom with spermicide. Use them every time, from start to finish, according to the manufacturers' directions.

And do it no matter how good someone looks. Because while the AIDS virus isn't something you can see, it is something you can get.

HELP STOP AIDS. USE A CONDOM.

AMERICAN FOUNDATION FOR AIDS RESEARCH

Ad Council — A Public Service of This Publication & The Advertising Council

NATIONAL AIDS NETWORK

© 1988, The Ad Council.

AIDS CAMPAIGN
NEWSPAPER AD NO. AIDS-88-1383—TABLOID

EXHIBIT 50

USING IT WON'T KILL YOU. NOT USING IT MIGHT.

Maybe you don't like using condoms. But if you're going to have sex, a latex condom with a spermicide is your best protection against the AIDS virus.

Use them every time, from start to finish, according to the manufacturers' directions. Because no one has ever been cured of AIDS. More than 40,000 Americans have already died from it.

And even if you don't like condoms, using them is definitely better than that.

HELP STOP AIDS. USE A CONDOM.

AMERICAN FOUNDATION FOR AIDS RESEARCH

Photo: Jerry Friedman

Ad Council

A Public Service of This Publication & The Advertising Council

NATIONAL AIDS NETWORK

1988, The Ad Council

AIDS CAMPAIGN
NEWSPAPER AD NO. AIDS-88-1381—TABLOID

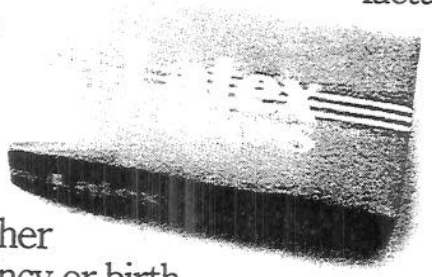
And babies with AIDS rarely live to see their second birthday.
So if you plan on having a child someday, take steps now to make sure it will start life with the chance to live it.
The surest way to keep from getting the AIDS virus is to
ONE OF THE S
THINGS ABO
THE AIDS VI
IS WHO YOU
[IT ON
HELP STOP AIDS. USE A CONDOM.
AMERICAN FOUNDATION FOR AIDS RESEARCH
Photo: Dennis Kalcums
Ad Council
A Public Service of The Publishers & The Advertising Council
NATIONAL AIDS NETWORK
1988, The Ad Council

AIDS CAMPAIGN
NEWSPAPER AD NO. AIDS-88-1379—4 COL.

ANY WOMAN WHO WANTS TO HAVE A BABY SHOULD USE THEM.

If you plan on having a child someday, you should be using latex condoms when you have sex now.

It's the best protection a sexually active woman has against the AIDS virus. A virus that has a 50-50 chance of passing from an infected mother to her child during pregnancy or birth.



And babies with AIDS rarely live to see their second birthday.

So take steps to make sure you don't get infected. Until you're ready to get pregnant, use a latex condom with spermicide. Use them every time, from start to finish, according to the manufacturers' directions.

Don't make exceptions. And don't start next week or next month.

Because no matter when you plan on having your baby, you have to start being a good mother right now.

HELP STOP AIDS. USE A CONDOM.

AMERICAN FOUNDATION FOR AIDS RESEARCH

Ad Council — A Public Service of This Publication & The Advertising Council

NATIONAL AIDS NETWORK

AIDS CAMPAIGN
NEWSPAPER AD NO. AIDS-88-1375—TABLOID

ANNALS OF STYLE

New Yorker
Mar 17 1997

THE COOLHUNT

Who decides what's cool? Certain kids in certain places—and only the coolhunters know who they are.

BY MALCOLM GLADWELL

BAYSIE WIGHTMAN met DeeDee Gordon, appropriately enough, on a coolhunt. It was 1992. Baysie was a big shot for Converse, and DeeDee, who was barely twenty-one, was running a very cool boutique called Placid Planet, on Newbury Street in Boston. Baysie came in with a camera crew—one she often used when she was coolhunting—and said, "I've been watching your store, I've seen you, I've heard you know what's up," because it was Baysie's job at Converse to find people who knew what was up and she thought DeeDee was one of those people. DeeDee says that she responded with reserve—that "I was like, 'Whatever' "—but Baysie said that if DeeDee ever wanted to come and work at Converse she should just call, and nine months later DeeDee called. This was about the time the cool kids had decided they didn't want the hundred-and-twenty-five-dollar basketball sneaker with seventeen different kinds of high-technology materials and colors and air-cushioned heels anymore. They wanted simplicity and authenticity, and Baysie picked up on that. She brought back the Converse One Star, which was a vulcanized, suède, low-top classic old-school sneaker from the nineteen-seventies, and, sure enough, the One Star quickly became the signature shoe of the retro era. Remember what Kurt Cobain was wearing in the famous picture of him lying dead on the ground after committing suicide? Black Converse One Stars. DeeDee's big score was calling the sandal craze. She had been out in Los Angeles and had kept seeing the white teen-age girls dressing up like *cholos*, Mexican gangsters, in tight white tank tops known as "wife beaters," with a bra strap hanging out, and long shorts and tube socks and shower sandals. DeeDee recalls, "I'm like, 'I'm telling you, Baysie, this is going to hit. There are just too many people wearing it. We have to make a shower sandal.' " So Baysie, DeeDee, and a designer came up with the idea of making a retro sneaker-sandal, cutting the back off the One Star and putting a thick outsole on it. It was *huge*, and, amazingly, it's still huge.

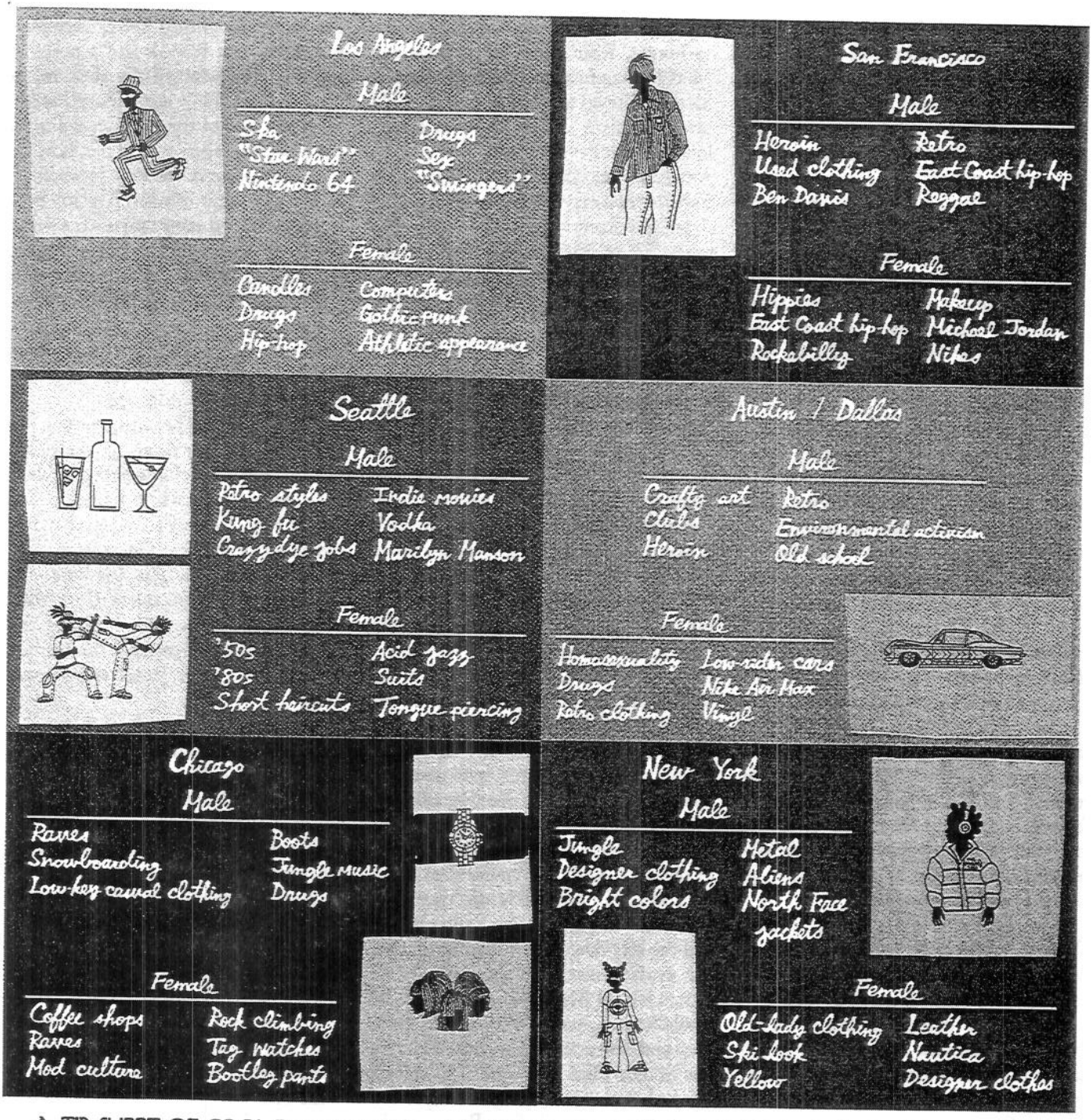
Today, Baysie works for Reebok as general-merchandise manager—part of the team trying to return Reebok to the position it enjoyed in the mid-nineteen-eighties as the country's hottest sneaker company. DeeDee works for an advertising agency in Del Mar called Lambesis, where she puts out a quarterly tip sheet called the *L Report* on what the cool kids in major American cities are thinking and doing and buying. Baysie and DeeDee are best friends. They talk on the phone all the time. They get together whenever Baysie is in L.A. (DeeDee: "It's, like, how many times can you drive past O. J. Simpson's house?"), and between them they can talk for hours about the art of the coolhunt. They're the Lewis and Clark of cool.

What they have is what everybody seems to want these days, which is a window on the world of the street. Once, when fashion trends were set by the big couture houses—when cool was trickle-down—that wasn't important. But sometime in the past few decades things got turned over, and fashion became trickle-up. It's now about chase and flight—designers and retailers and the mass consumer giving chase to the elusive prey of street cool—and the rise of coolhunting as a profession shows how serious the chase has become. The sneakers of Nike and Reebok used to come out yearly. Now a new style comes out every season. Apparel designers used to have an eighteen-month lead time between concept and sale. Now they're reducing that to a year, or even six months, in order to react faster to new ideas from the street. The paradox, of course, is that the better coolhunters become at bringing the mainstream close to the cutting edge, the more elusive the cutting edge becomes. This is the first rule of the cool: The quicker the chase, the quicker the flight. The act of discovering what's cool is what causes cool to move on, which explains the triumphant circularity of coolhunting: because we have coolhunters like DeeDee and Baysie, cool changes more quickly, and because cool changes more quickly, we need coolhunters like DeeDee and Baysie.

DeeDee is tall and glamorous, with short hair she has dyed so often that she claims to have forgotten her real color. She drives a yellow 1977 Trans Am with a burgundy stripe down the center and a 1973 Mercedes 450 SL, and lives in a spare, Japanese-style cabin in Laurel Canyon. She uses words like "rad" and "totally," and offers non-stop, deadpan pronouncements on pop culture, as in "It's all about Pee-wee Herman." She sounds at first like a teen, like the same teens who, at Lambesis, it is her job to follow. But teen speech—particularly girl-teen speech, with its fixation on reported speech ("so she goes," "and I'm like," "and he goes") and its stock vocabulary of accompanying grimaces and gestures—is about using language less to communicate than to fit in. DeeDee uses teen speech to set herself apart, and the result is, for lack of a better word, *really* cool. She doesn't do the teen thing of climbing half an octave at the end of every sentence. Instead, she drags out her vowels for emphasis, so that if she mildly disagreed with something I'd said she would say "Maalcolm" and if she strongly disagreed with what I'd said she would say "Maaalcolm."

Baysie is older, just past forty (although you would never guess that), and

FILIP PAGOWSKI

Reebok's DMX RXT didn't hit as a girl's shoe, but boys in the Bronx call it butter.

A TIP SHEET OF COOL *Data distilled from the L Report, a quarterly that sells for twenty thousand dollars a year.*

went to Exeter and Middlebury and had two grandfathers who went to Harvard (although you wouldn't guess that, either). She has curly brown hair and big green eyes and long legs and so much energy that it is hard to imagine her asleep, or resting, or even standing still for longer than thirty seconds. The hunt for cool is an obsession with her, and DeeDee is the same way. DeeDee used to sit on the corner of West Broadway and Prince in SoHo—back when SoHo was cool—and take pictures of everyone who walked by for an entire hour. Baysie can tell you precisely where she goes on her Reebok coolhunts to find the really cool alternative white kids ("I'd maybe go to Portland and hang out where the skateboarders hang out near that bridge") or which snowboarding mountain has cooler kids—Stratton, in Vermont, or Summit County, in Colorado. (Summit, definitely.) DeeDee can tell you on the basis of the *L Report's* research exactly how far Dallas is behind New York in coolness (from six to eight months). Baysie is convinced that Los Angeles is not happening right now: "In the early nineteen-nineties a lot more was coming from L.A. They had a big trend with the whole Melrose Avenue look—the stupid goatees, the shorter hair. It was cleaned-up after-grunge. There were a lot of places you could go to buy vinyl records. It was a strong place to go for looks. Then it went back to being horrible." DeeDee is convinced that Japan *is* happening: "I linked onto this future-technology thing two years ago. Now look at it, it's huge. It's the whole resurgence of Nike—Nike being larger than life. I went to Japan

HIROSHI TANABE

and saw the kids just bailing the most technologically advanced Nikes with their little dresses and little outfits and I'm like, 'Whoa, this is trippy!' It's performance mixed with fashion. It's really superheavy." Baysie has a theory that Liverpool is cool right now because it's the birthplace of the whole "lad" look, which involves soccer blokes in the pubs going superdressy and wearing Dolce & Gabbana and Polo Sport and Reebok Classics on their feet. But when I asked DeeDee about that, she just rolled her eyes: "Sometimes Baysie goes off on these tangents. *Man*, I love that woman!"

I used to think that if I talked to Baysie and DeeDee long enough I could write a coolhunting manual, an encyclopedia of cool. But then I realized that the manual would have so many footnotes and caveats that it would be unreadable. Coolhunting is not about the articulation of a coherent philosophy of cool. It's just a collection of spontaneous observations and predictions that differ from one moment to the next and from one coolhunter to the next. Ask a coolhunter where the baggy-jeans look came from, for example, and you might get any number of answers: urban black kids mimicking the jailhouse look, skateboarders looking for room to move, snowboarders trying not to look like skiers, or, alternatively, all three at once, in some grand concordance.

Or take the question of exactly how Tommy Hilfiger—a forty-five-year-old white guy from Greenwich, Connecticut, doing all-American preppy clothes—came to be the designer of choice for urban black America. Some say it was all about the early and visible endorsement given Hilfiger by the hip-hop auteur Grand Puba, who wore a dark-green-and-blue Tommy jacket over a white Tommy T-shirt as he leaned on his black Lamborghini on the cover of the hugely influential "Grand Puba 2000" CD, and whose love for Hilfiger soon spread to other rappers. (Who could forget the rhymes of Mobb Deep? "Tommy was my nigga /And couldn't figure / How me and Hilfiger / used to move through with vigor.") Then I had lunch with one of Hilfiger's designers, a twenty-six-year-old named Ulrich (Ubi) Simpson, who has a Puerto Rican mother and a Dutch-Venezuelan father, plays lacrosse, snowboards, surfs the long board, goes to hip-hop concerts, listens to Jungle, Edith Piaf, opera, rap, and Metallica, and has working with him on his design team a twenty-seven-year-old black guy from Montclair with dreadlocks, a twenty-two-year-old Asian-American who lives on the Lower East Side, a twenty-five-year-old South Asian guy from Fiji, and a twenty-one-year-old white graffiti artist from Queens. That's when it occurred to me that maybe the reason Tommy Hilfiger can make white culture cool to black culture is that he has people working for him who are cool in both cultures simultaneously. Then again, maybe it *was* all Grand Puba. Who knows?

One day last month, Baysie took me on a coolhunt to the Bronx and Harlem, lugging a big black canvas bag with twenty-four different shoes that Reebok is about to bring out, and as we drove down Fordham Road, she had her head out the window like a little kid, checking out what everyone on the street was wearing. We went to Dr. Jay's, which is the cool place to buy sneakers in the Bronx, and Baysie crouched down on the floor and started pulling the shoes out of her bag one by one, soliciting opinions from customers who gathered around and asking one question after another, in rapid sequence. One guy she listened closely to was maybe eighteen or nineteen, with a diamond stud in his ear and a thin beard. He was wearing a Polo baseball cap, a brown leather jacket, and the big, oversized leather boots that are everywhere uptown right now. Baysie would hand him a shoe and he would hold it, look at the top, and move it up and down and flip it over. The first one he didn't like: "*Oh*-kay." The second one he hated: he made a growling sound in his throat even before Baysie could give it to him, as if to say, "Put it back in the bag—now!" But when she handed him a new DMX RXT—a low-cut run/walk shoe in white and blue and mesh with a translucent "ice" sole, which retails for a hundred and ten dollars—he looked at it long and hard and shook his head in pure admiration and just said two words, dragging each of them out: "No *doubt*."

Baysie was interested in what he was saying, because the DMX RXT she had was a girls' shoe that actually hadn't been doing all that well. Later, she explained to me that the fact that the boys loved the shoe was critical news, because it suggested that Reebok had a potential hit if it just switched the shoe to the men's section. How she managed to distill this piece of information from the crowd of teen-agers around her, how she made any sense of the two dozen shoes in her bag, most of which (to my eyes, anyway) looked pretty much the same, and how she knew which of the teens to really focus on was a mystery. Baysie is a Wasp from New England, and she crouched on the floor in Dr. Jay's for almost an hour, talking and joking with the homeboys without a trace of condescension or self-consciousness.

Near the end of her visit, a young boy walked up and sat down on the bench next to her. He was wearing a black woollen cap with white stripes pulled low, a blue North Face pleated down jacket, a pair of baggy Guess jeans, and, on his feet, Nike Air Jordans. He couldn't have been more than thirteen. But when he started talking you could see Baysie's eyes light up, because somehow she knew the kid was the real thing.

"How many pairs of shoes do you buy a month?" Baysie asked.

"Two," the kid answered. "And if at the end I find one more I like I get to buy that, too."

Baysie was onto him. "Does your mother spoil you?"

The kid blushed, but a friend next to him was laughing. "Whatever he wants, he gets."

Baysie laughed, too. She had the DMX RXT in his size. He tried them on. He rocked back and forth, testing them. He looked back at Baysie. He was dead serious now: "Make sure these come out."

Baysie handed him the new "Rush" Emmitt Smith shoe due out in the fall. One of the boys had already pronounced it "phat," and another had looked through the marbleized-foam cradle in the heel and cried out in delight, "This is bug!" But this kid was the acid test, because this kid knew cool. He paused. He looked at it hard. "Reebok," he said, soberly and carefully, "is trying to get *butter*."

In the car on the way back to Manhattan, Baysie repeated it twice. "Not better. *Butter!* That kid could totally tell you what he thinks." Baysie had spent an hour coolhunting in a shoe store and

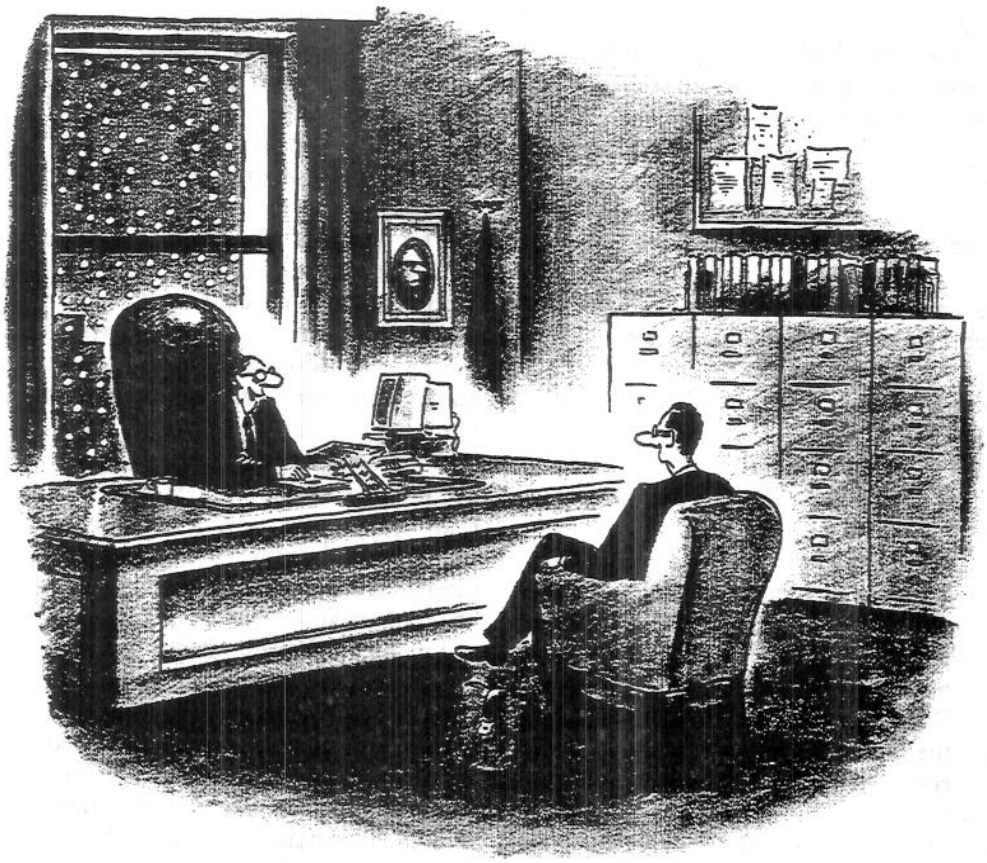
found out that Reebok's efforts were winning the highest of hip-hop praise. "He was so *fucking* smart."

If you want to understand how trends work, and why coolhunters like Baysie and DeeDee have become so important, a good place to start is with what's known as diffusion research, which is the study of how ideas and innovations spread. Diffusion researchers do things like spending five years studying the adoption of irrigation techniques in a Colombian mountain village, or developing complex matrices to map the spread of new math in the Pittsburgh school system. What they do may seem like a far cry from, say, how the Tommy Hilfiger thing spread from Harlem to every suburban mall in the country, but it really isn't: both are about how new ideas spread from one person to the next.

One of the most famous diffusion studies is Bruce Ryan and Neal Gross's analysis of the spread of hybrid seed corn in Greene County, Iowa, in the nineteen-thirties. The new seed corn was introduced there in about 1928, and it was superior in every respect to the seed that had been used by farmers for decades. But it wasn't adopted all at once. Of two hundred and fifty-nine farmers studied by Ryan and Gross, only a handful had started planting the new seed by 1933. In 1934, sixteen took the plunge. In 1935, twenty-one more followed; the next year, there were thirty-six, and the year after that a whopping sixty-one. The succeeding figures were then forty-six, thirty-six, fourteen, and three, until, by 1941, all but two of the two hundred and fifty-nine farmers studied were using the new seed. In the language of diffusion research, the handful of farmers who started trying hybrid seed corn at the very beginning of the thirties were the "innovators," the adventurous ones. The slightly larger group that followed them was the "early adopters." They were the opinion leaders in the community, the respected, thoughtful people who watched and analyzed what those wild innovators were doing and then did it themselves. Then came the big bulge of farmers in 1936, 1937, and 1938—the "early majority" and the "late majority," which is to say the deliberate and the skeptical masses, who would never try anything until the most respected farmers had tried it. Only after they had been converted did the "laggards," the most traditional of all, follow suit. The critical thing about this sequence is that it is almost entirely interpersonal. According to Ryan and Gross, only the innovators relied to any great extent on radio advertising and farm journals and seed salesmen in making their decision to switch to the hybrid. Everyone else made his decision overwhelmingly because of the example and the opinions of his neighbors and peers.

Isn't this just how fashion works? A few years ago, the classic brushed-suède Hush Puppies with the lightweight crêpe sole—the moc-toe oxford known as the Duke and the slip-on with the golden buckle known as the Columbia—were selling barely sixty-five thousand pairs a year. The company was trying to walk away from the whole suède casual look entirely. It wanted to do "aspirational" shoes: "active casuals" in smooth leather, like the Mall Walker, with a Comfort Curve technology outsole and a heel stabilizer—the kind of shoes you see in Kinney's for $39.95. But then something strange started happening. Two Hush Puppies executives—Owen Baxter and Jeff Lewis—were doing a fashion shoot for their Mall Walkers and ran into a creative consultant from Manhattan named Jeffrey Miller, who informed them that the Dukes and the Columbias weren't dead, they were dead chic. "We were being told," Baxter recalls, "that there were areas in the Village, in SoHo, where the shoes were selling—in resale shops—and that people were wearing the old Hush Puppies. They were going to the ma-and-pa stores, the little stores that still carried them, and there was this authenticity of being able to say, 'I am wearing an original pair of Hush Puppies.' "

Baxter and Lewis—tall, solid, fair-haired Midwestern guys with thick, shiny wedding bands—are shoe men, first and foremost. Baxter was working the cash register at his father's shoe store in Mount Prospect, Illinois, at the age of thirteen. Lewis was doing inventory in his father's shoe store in Pontiac, Michigan, at the age of seven. Baxter was in the National Guard during the 1968 Democratic Convention, in Chicago, and was stationed across



"It's always cozy in here. We're insulated by layers of bureaucracy."

WAKEFULNESS

An immodest little white wine, some scattered seraphs,
recollections of the Fall—tell me,
has anyone made a spongier representation, chased
fewer demons out of the parking lot
where we all held hands?

Little by little the idea of the true way returned to me.
I was touched by your care,
reduced to fawning excuses.
Everything was spotless in the little house of our desire,
the clock ticked on and on, happy about
being apprenticed to eternity. A gavotte of dust motes
came to replace my seeing. Everything was as though
it had happened long ago
in ancient peach-colored funny papers
wherein the law of true opposites was ordained
casually. Then the book opened by itself
and read to us: "You pack of liars,
of course tempted by the crossroads, but I like each
and every one of you with a peculiar sapphire intensity.
Look, here is where I failed at first.
The client leaves. History natters on,
rolling distractedly on these shores. Each day, dawn
condenses like a very large star, bakes no bread,
shoes the faithless. How convenient if it's a dream."

In the next sleeping car was madness.
An urgent languor installed itself
as far as the cabbage-hemmed horizons. And if I put a little
bit of myself in this time, stoppered the liquor that is our selves'
truant exchanges, brandished my intentions
for once? But only I get
something out of this memory.
A kindly gnome
of fear perched on my dashboard once, but we had all
been instructed
to ignore the conditions of the chase. Here, it
seems to grow lighter with each passing century. No matter
how you twist it,
life stays frozen in the headlights.
Funny, none of us heard the roar.

—JOHN ASHBERY

the street from the Conrad Hilton downtown, right in the middle of things. Today, the two men work out of Rockford, Michigan (population thirty-eight hundred), where Hush Puppies has been making the Dukes and the Columbias in an old factory down by the Rogue River for almost forty years. They took me to the plant when I was in Rockford. In a crowded, noisy, low-slung building, factory workers stand in long rows, gluing, stapling, and sewing together shoes in dozens of bright colors, and the two executives stopped at each production station and described it in detail. Lewis and Baxter know shoes. But they would be the first to admit that they don't know cool. "Miller was saying that there is something going on with the shoes—that Isaac Mizrahi was wearing the shoes for his personal use," Lewis told me. We were seated around the conference table in the Hush Puppies headquarters in Rockford, with the snow and the trees outside and a big water tower behind us. "I think it's fair to say that at the time we had no idea who Isaac Mizrahi was."

By late 1994, things had begun to happen in a rush. First, the designer John Bartlett called. He wanted to use Hush Puppies as accessories in his spring collection. Then Anna Sui called. Miller, the man from Manhattan, flew out to Michigan to give advice on a new line ("Of course, packing my own food and thinking about 'Fargo' in the corner of my mind"). A few months later, in Los Angeles, the designer Joel Fitzpatrick put a twenty-five-foot inflatable basset hound on the roof of his store on La Brea Avenue and gutted his adjoining art gallery to turn it into a Hush Puppies department, and even before he opened—while he was still painting and putting up shelves—Pee-wee Herman walked in and asked for a couple of pairs. Pee-wee Herman! "It was total word of mouth. I didn't even have a sign back then," Fitzpatrick recalls. In 1995, the company sold four hundred and thirty thousand pairs of the classic Hush Puppies. In 1996, it sold a million six hundred thousand, and that was only scratching the surface, because in Europe and the rest of the world, where Hush Puppies have a huge following—where they might outsell the American market four to one—the revival was just beginning.

The cool kids who started wearing old Dukes and Columbias from thrift shops were the innovators. Pee-wee Herman, wandering in off the street, was an early adopter. The million six hundred thousand people who bought Hush Puppies last year are the early majority, jumping in because the really cool people have already blazed the trail. Hush Puppies are moving through the country just the way hybrid seed corn moved through Greene County—all of which illustrates what coolhunters can and cannot do. If Jeffrey Miller had been wrong—if cool people hadn't been digging through the thrift shops for Hush Puppies—and he had arbitrarily decided that Baxter and Lewis should try to convince non-cool people that the shoes were cool, it wouldn't have worked. You can't convince the late majority that Hush Puppies are cool, because the late

majority makes its coolness decisions on the basis of what the early majority is doing, and you can't convince the early majority, because the early majority is looking at the early adopters, and you can't convince the early adopters, because they take their cues from the innovators. The innovators do get their cool ideas from people other than their peers, but the fact is that they are the last people who can be convinced by a marketing campaign that a pair of suède shoes is cool. These are, after all, the people who spent hours sifting through thrift-store bins. And why did they do that? Because their definition of cool is doing something that nobody else is doing. A company can intervene in the cool cycle. It can put its shoes on really cool celebrities and on fashion runways and on MTV. It can accelerate the transition from the innovator to the early adopter and on to the early majority. But it can't just manufacture cool out of thin air, and that's the second rule of cool.

At the peak of the Hush Puppies craziness last year, Hush Puppies won the prize for best accessory at the Council of Fashion Designers' awards dinner, at Lincoln Center. The award was accepted by the Hush Puppies president, Louis Dubrow, who came out wearing a pair of custom-made black patent-leather Hush Puppies and stood there blinking and looking at the assembled crowd as if it were the last scene of "Close Encounters of the Third Kind." It was a strange moment. There was the president of the Hush Puppies company, of Rockford, Michigan, population thirty-eight hundred, sharing a stage with Calvin Klein and Donna Karan and Isaac Mizrahi—and all because some kids in the East Village began combing through thrift shops for old Dukes. Fashion was at the mercy of those kids, whoever they were, and it was a wonderful thing if the kids picked you, but a scary thing, too, because it meant that cool was something you could not control. You needed someone to find cool and tell you what it was.

WHEN Baysie Wightman went to Dr. Jay's, she was looking for customer response to the new shoes Reebok had planned for the fourth quarter of 1997 and the first quarter of 1998. This kind of customer testing is critical at Reebok, because the last decade has not been kind to the company. In 1987, it had a third of the American athletic-shoe market, well ahead of Nike. Last year, it had sixteen per cent. "The kid in the store would say, 'I'd like this shoe if your logo wasn't on it,' " E. Scott Morris, who's a senior designer for Reebok, told me. "That's kind of a punch in the mouth. But we've all seen it. You go into a shoe store. The kid picks up the shoe and says, 'Ah, man, this is nice.' He turns the shoe around and around. He looks at it underneath. He looks at the side and he goes, 'Ah, this is Reebok,' and says, 'I ain't buying this,' and puts the shoe down and walks out. And you go, 'You was just digging it a minute ago. What happened?' " Somewhere along the way, the company lost its cool, and Reebok now faces the task not only of rebuilding its image but of making the shoes so cool that the kids in the store *can't* put them down.

Baysie Wightman picked up on the rebellion against the hundred-and-twenty-five-dollar sneaker.

Every few months, then, the company's coolhunters go out into the field with prototypes of the upcoming shoes to find out what kids really like, and come back to recommend the necessary changes. The prototype of one recent Emmitt Smith shoe, for example, had a piece of molded rubber on the end of the tongue as a design element; it was supposed to give the shoe a certain "richness," but the kids said they thought it looked overbuilt. Then Reebok gave the shoes to the Boston College football team for wear-testing, and when they got the shoes back they found out that all the football players had cut out the rubber component with scissors. As messages go, this was hard to miss. The tongue piece wasn't cool, and on the final version of the shoe it was gone. The rule of thumb at Reebok is that if the kids in Chicago, New York, and Detroit all like a shoe, it's a guaranteed hit. More than likely, though, the coolhunt is going to turn up subtle differences from city to city, so that once the coolhunters come back the designers have to find out some way to synthesize what was heard, and pick out just those things that all the kids seemed to agree on. In New York, for example, kids in Harlem are more sophisticated and fashion-forward than kids in the Bronx, who like things a little more colorful and glitzy. Brooklyn, meanwhile, is conservative and preppy, more like Washington, D.C. For reasons no one really knows, Reeboks are coolest in Philadelphia. In Philly, in fact, the Reebok Classics are so huge they are known simply as National Anthems, as in "I'll have a pair of blue Anthems in nine and a half." Philadelphia is Reebok's innovator town. From there trends move along the East Coast, trickling all the way to Charlotte, North Carolina.

Reebok has its headquarters in Stoughton, Massachusetts, outside Boston—

jackets with patches on the back and combs that hung out the back pocket. We went without I.D.s, because we'd have to have someone else buy us beers." At this point, Sal laughed. He was driving really slowly and staring straight ahead and talking in a low drawl—the coolhunter's dream. "We'd ride to this bar and I'd have to carry my bike inside, because we have really expensive bikes, and when we got inside people would freak out. They'd say, 'Omigod,' and I was asking them if they wanted to go for a ride on the handlebars. They were like, 'What is wrong with you. My boyfriend used to dress like that in the eighth grade!' And I was like, 'He was probably a lot cooler then, too.' "

This is just the kind of person DeeDee wants. "I'm looking for somebody who is an individual, who has definitely set himself apart from everybody else, who doesn't look like his peers. I've run into trendsetters who look completely Joe Regular Guy. I can see Joe Regular Guy at a club listening to some totally hardcore band playing, and I say to myself 'Omigod, what's that guy doing here?' and that totally intrigues me, and I have to walk up to him and say, 'Hey, you're really into this band. What's up?' You know what I mean? I look at everything. If I see Joe Regular Guy sitting in a coffee shop and everyone around him has blue hair, I'm going to gravitate toward him, because, hey, what's Joe Regular Guy doing in a coffee shop with people with blue hair?"

We were sitting outside the Fred Segal store in West Hollywood. I was wearing a very conservative white Brooks Brothers button-down and a pair of Levi's, and DeeDee looked first at my shirt and then my pants and dissolved into laughter. "I mean, I might even go up to *you* in a cool place."

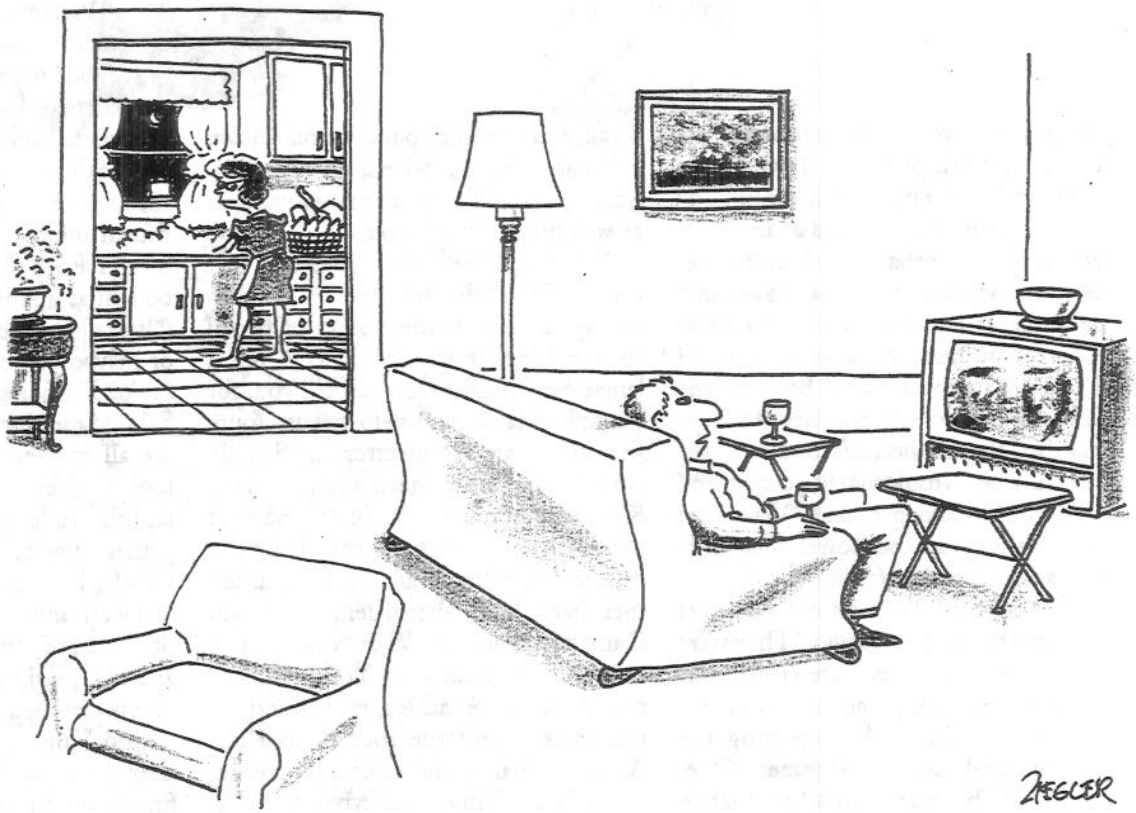
Picking the right person is harder than it sounds, though. Piney Kahn, who works for DeeDee, says, "There are a lot of people in the gray area. You've got these kids who dress ultra funky and have their own style. Then you realize they're just running after their friends." The trick is not just to be able to tell who is different but to be able to tell when that difference represents something truly cool. It's a gut thing. You have to somehow just *know*. DeeDee hired Piney because Piney clearly *knows:* she is twenty-four and used to work with the Beastie Boys and has the formidable self-possession of someone who is not only cool herself but whose parents were cool. "I mean," she says, "they named me after a *tree*."

Piney and DeeDee said that they once tried to hire someone as a coolhunter who was not, himself, cool, and it was a disaster.

"You can give them the boundaries," Piney explained. "You can say that if people shop at Banana Republic and listen to Alanis Morissette they're probably not trendsetters. But then they might go out and assume that everyone who does that is not a trendsetter, and not look at the other things."

"I mean, I myself might go into Banana Republic and buy a T-shirt," DeeDee chimed in.

Their non-cool coolhunter just didn't have that certain instinct, that sense that told him when it was O.K. to deviate from the manual. Because he wasn't cool, he didn't know cool, and that's the essence of the third rule of cool: you have to be one to know one. That's why Baysie is still on top of this business at forty-one. "It's easier for me to tell you what kid is cool than to tell you what things are cool," she says. But that's all she needs to know. In this sense, the third rule of cool fits perfectly into the second: the second rule says that cool cannot be manufactured, only observed, and the third says that it can only be observed by those who are themselves cool. And, of course, the first rule says that it cannot accurately be observed at all, because the act of discovering cool causes cool to take flight, so if you add all three together they describe a closed loop, the hermeneutic circle of coolhunting, a phenomenon whereby not only can the uncool not see cool but cool cannot even be adequately described to them. Baysie says that she can see a coat on one of her friends and think it's not cool but then see the same coat on DeeDee and think that it is cool. It is not possible to be cool, in other words, unless you are—in some larger sense—already cool, and so the phenomenon that the uncool cannot see



"By the way, hon, great food, great wine, great you."

and cannot have described to them is also something that they cannot ever attain, because if they did it would no longer be cool. Coolhunting represents the ascendancy, in the marketplace, of high school.

Once, I was visiting DeeDee at her house in Laurel Canyon when one of her *L Report* assistants, Jonas Vail, walked in. He'd just come back from Niketown on Wilshire Boulevard, where he'd bought seven hundred dollars' worth of the latest sneakers to go with the three hundred dollars' worth of skateboard shoes he'd bought earlier in the afternoon. Jonas is tall and expressionless, with a peacoat, dark jeans, and short-cropped black hair. "Jonas is good," DeeDee says. "He works with me on everything. That guy knows more pop culture. You know: What was the name of the store Mrs. Garrett owned on 'The Facts of Life'? He knows all the names of the *extras* from eighties sitcoms. I can't believe someone like him exists. He's fucking unbelievable. Jonas can spot a cool person a *mile* away."

Jonas takes the boxes of shoes and starts unpacking them on the couch next to DeeDee. He picks up a pair of the new Nike ACG hiking boots, and says, "All the Japanese in Niketown were really into these." He hands the shoes to DeeDee.

"Of *course* they were!" she says. "The Japanese are all into the tech-looking shit. Look how exaggerated it is, how bulbous." DeeDee has very ambivalent feelings about Nike, because she thinks its marketing has got out of hand. When she was in the New York Niketown with a girlfriend recently, she says, she started getting light-headed and freaked out. "It's cult, cult, cult. It was like, 'Hello, are we all drinking the Kool-Aid here?' " But this shoe she loves. It's Dr. Jay's in the Bronx all over again. DeeDee turns the shoe around and around in the air, tapping the big clear-blue plastic bubble on the side—the visible Air-Sole unit—with one finger. "It's so fucking rad. It looks like a platypus!" In front of me, there is a pair of Nike's new shoes for the basketball player Jason Kidd.

I pick it up. "This looks . . . cool," I venture uncertainly.

DeeDee is on the couch, where she's surrounded by shoeboxes and sneakers and white tissue paper, and she looks up reprovingly because, of course, I don't get it. I *can't* get it. "Beyooond cool, Maalcolm. Beyooond cool." ♦

POSTCARD FROM LONDON

GEAR

Can the young eccentrics of the suddenly hip British fashion scene survive success?

BY HILTON ALS

Two months ago, in Paris, late one afternoon, a crowd of designers, buyers, journalists, stylists, unemployed models, couture patrons, and one or two lapdogs waited impatiently in a flickering Grecian grove in the École des Beaux-Arts to view Alexander McQueen's début couture collection for Givenchy. Hubert de Givenchy, who founded his *maison* in 1952, promoted his clothes through the late Audrey Hepburn, who, in film after film, immortalized the designer's devotion to simplicity of cut, narrow waistlines, and luxurious fabrics. Even after the British designer John Galliano took over at Givenchy, in 1995, the line remained a fairly conventional affair. Last October, however, when Bernard Arnault, the chairman of Moët Hennessy Louis Vuitton (L.V.M.H.), announced Galliano's transfer to Dior and the arrival of McQueen to take his place, the fashion world was incredulous.

McQueen's approach to fashion had always been anti-fashion, an irreverent gloss on time-honored traditions. (One of his earlier, ready-to-wear collections stressed his fascination with the derrière through wickedly low-slung trousers called "bumsters"; another featured latex dresses covered with locusts.) It was difficult even for McQueen's admirers to imagine him overseeing the complications of a couture house with its *petites mains* painstakingly constructing costumes that sell for thousands of francs, dollars, or pounds. Now the arbiters of money and taste had gathered in the glass-domed hall of the École to see if Arnault's gamble would pay off.

Seated in the front row at the couture show were the designer Azzedine Alaïa, the *Vogue* editors Anna Wintour and Hamish Bowles, the couture client Anne Bass, the German photographer Peter Lindbergh, and Isabella Blow, a former fashion editor for British *Vogue*, who is now McQueen's muse. (Blow had first met McQueen when she bought his entire master's graduate collection after it was shown at Central St. Martin's College of Art and Design, his alma mater.) Her translucent white skin, deep-red lipstick, and black satellite-dish-shaped hat contrasted starkly with the staid appearance of the women who sat opposite her, separated from this representative of the new British fashion by the catwalk. They eyed her with deep suspicion, as if she were a stray thread hanging from the hem of a custom-made skirt.

After a delay of almost an hour, the clothes began to appear. First item: a gold-embroidered white satin coat with a huge train, over a gold lace bodysuit. The model walked the runway with a look of haughty indifference—not an easy look to carry off under the hat she was modelling, by the young London-based milliner Philip Treacy, a completely vertical affair made of straw. A French fashion journalist whispered to her companion, "Oo-la-la. If he continues with that kind of styling, he'll lose them."

On and on, one after another, fifty-five pieces were shown, all variations—mostly in white and gold—on McQueen's obsessions: Victorian nymphets in silk; nineteenth-century cropped military jackets; butterflies embedded in a white organza cloak; a sailor's outfit that evoked Marlene Dietrich. At one point—in keeping with the somewhat muddled Greek theme—a model meant to resemble Maria Callas, wearing a white dress and a big black bubble hairdo, traversed the catwalk as if enraptured at finding herself in such a fairyland of good taste. Isabella Blow applauded every outfit with great enthusiasm. The ladies of couture did not; they were taken aback, it seemed, by the sheer excess of youthful vitality and confusion parading before them in out-

PORTFOLIO BY MICHAEL ROBERTS